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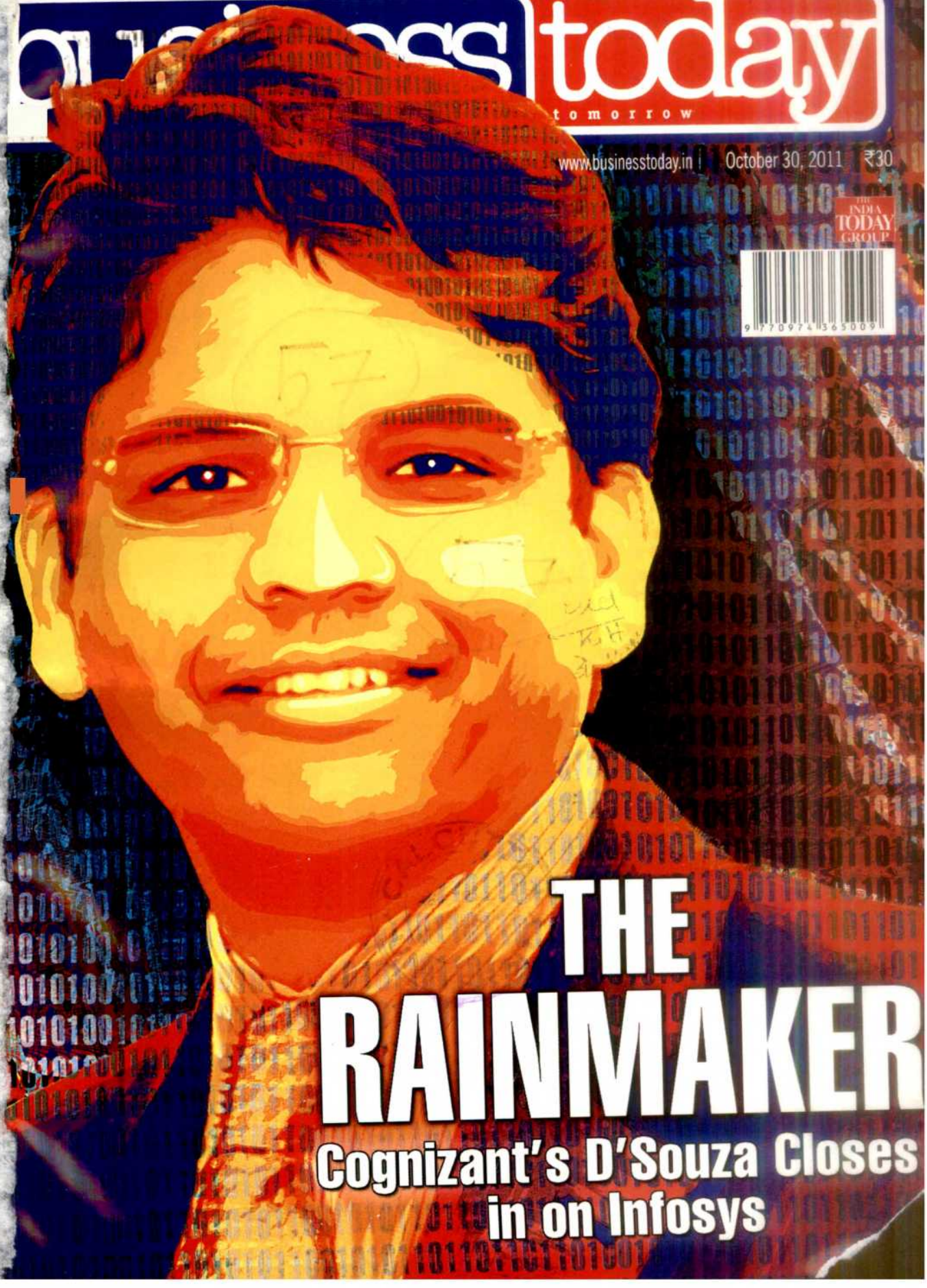

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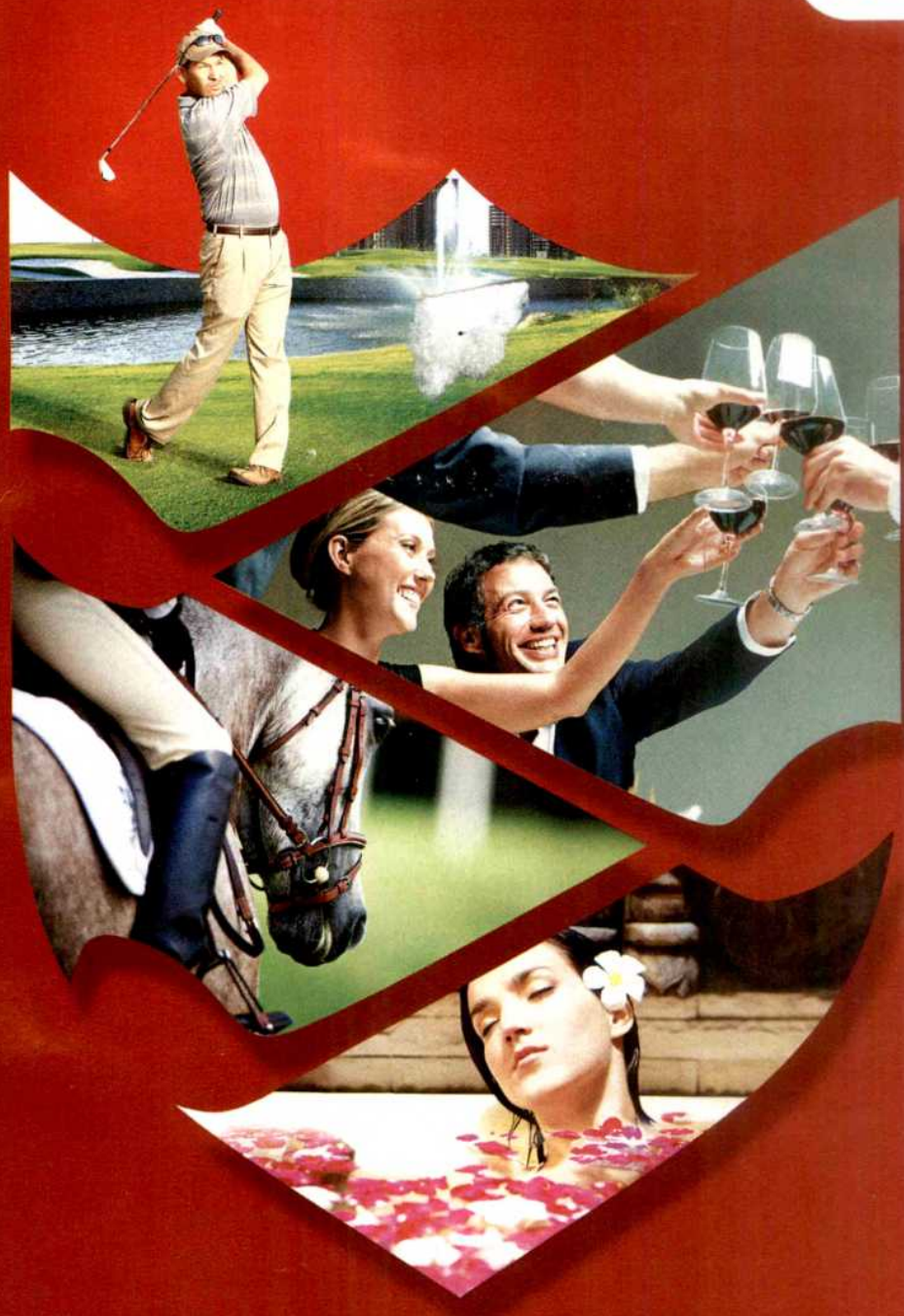

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From the Editor

The Mac II, launched on March 2, 1987, cost $5,500 and was the first computer with a colour graphical interface. Three years earlier Apple had begun selling the LaserWriter. Combined with WYSIWYG (what you see is what you get) software, the world was waking up to the marvels of desktop publishing.

Steve Jobs, who said everybody wants to go to heaven but nobody wants to die, did both on October 5 – at least it must be computing heaven – almost exactly 10 years after the iPod was launched, "a breakthrough MP3 music player that packs up to 1,000 CD-quality songs into an ultra-portable, 6.5 ounce design that fits in your pocket". The Aughts were engorged with Apple delights, and you only had to watch toddlers use the touch screens on iPhones and then iPads intuitively and insouciantly to understand how far we have travelled from the Mac II and its one megabyte of standard memory. Oddly enough the Macintosh was launched with an Orwellian commercial, "1984", where a young woman smashes a screen projecting Big Brother, while a roomful of human robots – a.k.a. Androids – look on aghast. Today, Google's Android open-source platform looks like a serious threat to Apple's iOS mobile operating system.

But back to the late 1980s, when Vinod Vohra, Chairman of Repro India, remembers producing what he believes to be India's first CD-ROM. Its title? The Kama Sutra. Repro was trying to sell Macs bundled with the CD-ROM, which you played off an external drive. Suddenly people began to hear the word "multimedia" and were captivated. "I was fascinated; I was in awe; I was consumed by this thing," Vohra remembers. Right from then, he says, Apple products were aspirational. Think of the kids who queued up to buy the iPad, which has up to 64 gigabytes of storage. That is 64,000 times the storage on the Mac II at one-eleventh its price.

Steve Jobs's passing momentarily diverted morbid interest from the wan world economy. In India, all signs now point to a "new normal" of seven-plus per cent GDP growth and seven-plus per cent inflation for quite a sustained period. Is India slowing? Yes. Will there be a "hard landing"? No. Were we guilty of believing that we had a divine right to 10-per cent growth? Undoubtedly.

Which is why the third *Business Today* Business Confidence Index (page 58) should be as much part of your archives as the earlier two quarterly surveys were. It shows that business is pessimistic, and that hiring may also be decelerating; this trend is additionally underlined in the *BT*-TeamLease Employment Outlook Survey on page 124. And as for our exports, which seem to hop about with the same abandon as the Energizer Bunny, you must read our sober assessment starting on page 64 of why they might just fall off the cliff.

"Cognizant" means "aware of something". Our cover story this fortnight unfolds the story of a 15-year-old company with lower margins, relentless customer focus and wide-open eyes, led appropriately by a borderless CEO, which is snapping at the heels of India's No. 2 software company (page 46).

Good business journalism is about telling you gobsmacking tales. Special Correspondent Sunny Sen, who worked on the Cognizant story, also describes how the Chinese are about to invade India – with five car models unleashed by their local partner General Motors (page 78).

And there is so, so much more...

Chaitanya Kalbag

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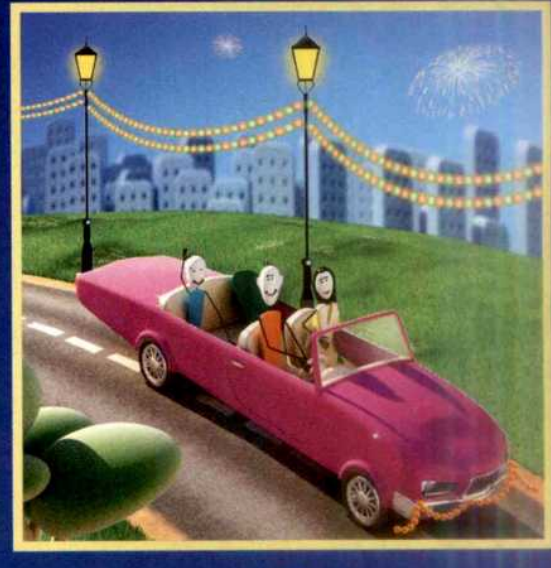

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CONTENTS OCTOBER /30/2011

Volume 20/Number 22

UPFRONT

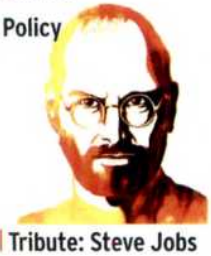
10 | Quick takes on major events of the last fortnight

FOCUS

12 | Wrong Prescription
Providing access to quality health care should be the real concern, not the perceived impact of FDI on drug prices, says G.V. Prasad

14 | Finance

17 | Policy



20 | Tribute: Steve Jobs

24 | Graphiti: Thirsty Planet

30 | Etcetera

FEATURES

32 | Clipping His Own Wings
Mallya shuts Kingfisher Red at a time when low-cost aviation is flying high. Will the move pay off?

40 | Gaining Ground
Why even rivals admire ad agency Taproot

58 | Sticky & Black, Inc.
The corporate sector's mood has deteriorated. It feels there is little hope of RBI's policies improving the gloomy economic scenario

64 | Up, Up... and Down
Export data is currently spectacular, but there may be rude shocks ahead

72 | Powering up in India
Zurich-based giant ABB is investing here to localise technology and be more competitive

COVER ILLUSTRATION BY KAPIL

COVER STORY

46 | The Rainmaker
Under headman Francisco D'Souza, Cognizant has turned the outsourcing model on its head. Having overtaken Wipro, it is chasing Infosys. **Plus:** Interview with D'Souza

78 | Shanghai Surprise
How the Chinese are changing General Motors India

84 | Old Economy Muscles In
Aegis from the Essar fold and Aditya Birla Minacs are giving BPO veterans a run for their money

88 | Desperately Seeking Revival
A year after being knocked flat by the Andhra Pradesh clampdown, microfinance institutions have redefined their focus and are busy diversifying

96 | Long Distance Healing
Now, get expert medical advice on telephone, or online

100 | New Kid off the Block
F1 is basking in cricket's misery. But for how long?

104 | The New Money Order
Nokia is pioneering mobile payments in India, but it needs to straighten out many kinks – soon

110 | Now Aiming at the High End
CavinKare, which began the sachet revolution, is now working towards a global presence

MONEY

114 | Go Green with Pride
Eco-friendly homes may be expensive, but will help you save money in the long run

LBNL

118 | Best-selling Bosses
Corporate honchos are also writing popular fiction

P-TECH
121 | Rekindling the Fire
Amazon presents the most credible challenge yet to iPad

BOOKEND
122 | Staying ahead, Staying Alive
This is a fascinating tale of the intersect of neuroscience and computing

EXECUTIVE HEALTH
123 | Beating the Blues
If you feel listless at work, you should see a counsellor

CAREERS
124 | Disappearing Jobs
The latest BT-TeamLease survey shows employers expect a drop in hiring

130 | PEOPLEBUSINESS

LEADERSPEAK
136 | Naveen Jindal
CMD, Jindal Steel & Power

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King or Leader?

Your cover story (*King B*, October 16) highlights Kumar Mangalam Birla's vision and journey. He gambled with ideas, strategies and dared to dream of a global setup different from the typical Birla style. He tinkered with the business model of his father's company, Aditya Birla Group, and was successful in growing it about 20 times. He was successful in balancing some traditional systems like *Parta* alongside modern concepts such as innovative management style and his ability to "carry and marry" both worlds. I feel he is a great leader in many ways, rather a real king.

Bithi Dutta, *Puducherry*

Green Mystery

The Great Indian Green Trick (BT, October 16) was a brilliant analysis. Sordid environmental issues were exposed through a deep study of Krishnapatnam and other areas in Andhra Pradesh. They are not isolated cases. This is a pervasive mess across the nation. New business initiatives should not hamper the lives of breadwinners and their dependants with problems that roll out when ventures are allowed to unfold without proper environmental norms. Environmental hazards are offsetting the benevolence of the accrued augmentation of industrial expansion.

B. Rajasekaran, *Bangalore*

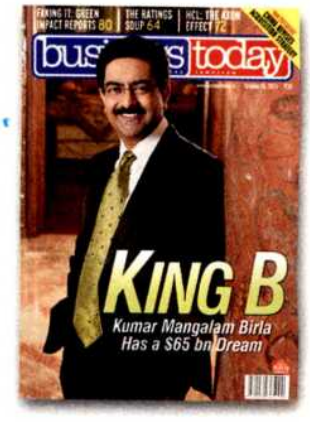
Cooking with Gas

Fuel's gold (BT, October 16) is novel gold. The cooking technology developed by First Energy is a great initiative that will address two major problems – waste management and the energy problem of low-income households. It will save both energy and money. In fact, the Thiruvananthapuram civic body faced similar problems and is thinking of promoting this technology in a big way. Some households in Thiruvananthapuram are already recycling their daily waste and are using it as cooking fuel.

Jacob Sahayam, *Thiruvananthapuram*

Correction

In the PeopleBusiness item on Divya Narendra (BT, October 16, Page 135), the first start-up he worked on has been incorrectly named. It was called HarvardConnection. We regret the error.



Birla was successful in balancing some of traditional systems like *Parta* alongside modern concepts such as innovative management style and his ability to "carry and marry" both worlds

www.businesstoday.in/coverstory: *The Kumar System* (October 16) looks at Kumar Mangalam Birla's vision and his goal to be a global major

www.businesstoday.in/coverstory: *Top Gun* (October 2) highlights how Anand Mahindra build the vast empire ground up

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MUST SEE THIS FORTNIGHT

India's Flawed Environmental Assessments

Before any industrial project begins, the promoters must submit an environmental impact assessment. But often these EIAs are studded with falsehood and sub-standard analysis. The system thus fails to protect India's ecological resources, finds *BT*'s **Anusha Subramanian** after an extensive investigation. Read the story and see video from the investigation at: businesstoday.in/eia

WEB EXCLUSIVES

SRK's Bid to Boost *Ra.One*

Shah Rukh Khan has left no stone unturned in his quest to promote *Ra.One*. The film may be one the most publicised in Bollywood history, says **Anusha Subramanian**.

businesstoday.in/srk

Can Brio Restore Honda's Brand?

The luxury carmaker recently released Brio, a small car, to compete with market leaders like Maruti Suzuki. **Sunny Sen** investigates Brio's different models.

businesstoday.in/brio

Birla's Right-hand Men

These four men support K.M. Birla's empire. Read profiles of Ajay Srinivasan (businesstoday.in/srinivasan), Himanshu Kapania (businesstoday.in/kapania), Santrupt Misra (businesstoday.in/misra), and Debnarayan Bhattacharya (businesstoday.in/bhattacharya).

PERSPECTIVE HIGHLIGHT

Geetanjali Shukla
Hard Times Ahead for Kingfisher Airlines

Kingfisher Airlines has decided to shut its low-cost service, Kingfisher Red. The move is one of many recent attempts by the airline to manage its debt, which stands at ₹6,000 crore. Recovery will be a daunting task.

businesstoday.in/kingfisher

BLOGS

Word Mentality
Uma Asher

A place that offers haircuts is not a saloon, despite Indians' tendency to refer to it that way.

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Chatterati
N. Madhavan

Investors may finally be looking at diamonds as an asset class.

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Book Bazaar
Debashish Mukerji

A new book might expose the publishing industry's deepest secrets.

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& Company
Suman Layak

K.M. Birla has not lost his straightforward attitude in the decade since Suman first interviewed him.

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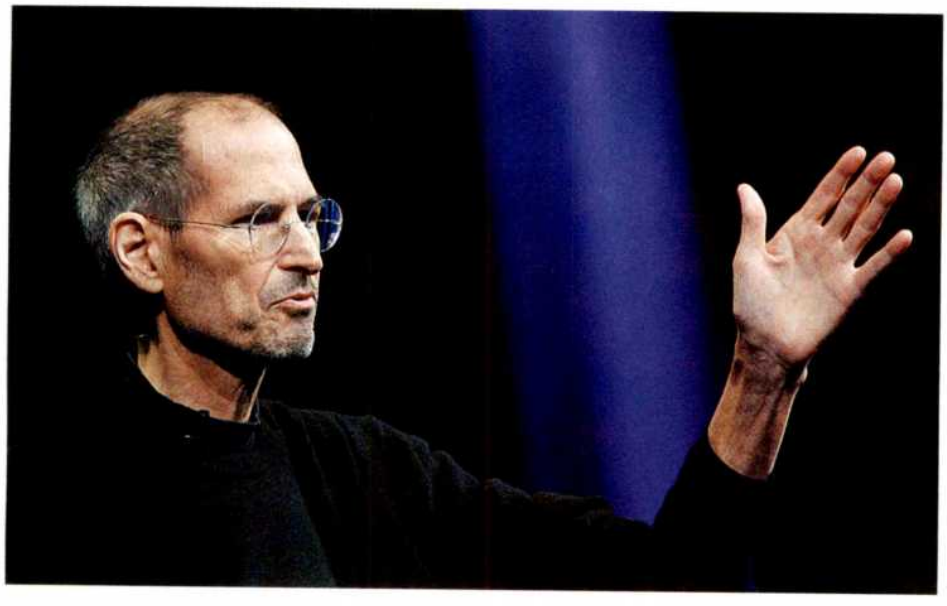


AFP

Long Live the Monk: Steve Jobs redefined the way we look at computers, music and communication through an unwavering self-belief. Tribute on Page 20, 22

Corporate

Moody's Investors Service downgraded the stand-alone rating for state-owned **State Bank of India**, the country's largest lender, citing "modest" capital and weakening asset quality. Salt for SBI's wounds came when the rating agency reaffirmed the rating for **ICICI Bank**, the private sector bank which is the second-largest lender. SBI has doubled its overseas borrowing target to $10 billion. The rating cut could hurt.

After a decade of strike-free operation, labour unrest is refusing to let go of **Maruti Suzuki** this year. The on-again-off-again strike resurfaced on October 7 as this magazine went to press. The festival season is when car companies rake it in. But this year's window is being slammed shut on Maruti as its production stays low. The rising waiting periods on its cars is small consolation. With burgeoning alternatives, consumers may get impatient before long.

Tata Motors lost another battle in West Bengal. The Calcutta High Court ruled that the West Bengal government's legislation, taking back land from the Tatas, was valid. Amid farmers' protests, Tata Motors had abandoned plans to manufacture Nano in Singur, but not the land.

The turmoil in the technology world promises to escalate. According to a *Reuters* exclusive, Microsoft is considering a bid to buy Yahoo Inc, resurfacing as a potential buyer after an unsuccessful attempt in 2008. But the field is far from clear. It is crowded with buyout shops Providence Equity Partners, Hellman and Friedman and Silver Lake Partners, as well as Chinese e-commerce giant Alibaba and Russian technology investment firm DST Global. Yahoo, valued at $20 billion, appears open to suitors.

The Chairman of **Kingfisher Airlines, Vijay Mallya,** has announced the closure of his low-cost aviation business. Mallya acquired low-cost carrier, **Air Deccan,** from **G.R. Gopinath** in 2008 and rebranded it as **Kingfisher Red**. Mallya said he would focus on the full-service offering, but increase economy seats. Rising jet fuel prices and a weakening rupee are hurting, and Kingfisher has accumulated debt of around ₹5,500 crore. Gopinath sounds far from happy when he says: "You cannot be embarrassed about your brand being low-cost." (See *page 32*)

SANTOSH

That Yahoo acquisition could not come a day too soon. Microsoft CEO Steve Ballmer missed his full bonus for the second year running. Having taken over from Bill Gates in 2000, Ballmer is often criticised for the company's lacklustre performance in the stock market, primarily because there have been few high points. The official review of his performance took into account lower than expected sales of Windows Phone 7 software and the "need for further progress in new form factors". And tablets? That's another story.

The much-awaited iPhone 5 did not materialise, but Apple's new CEO Tim Cook unveiled iPhone 4S. It is twice as powerful and up to seven times faster at rendering graphics. iPhone 4S has a better camera and bundles the new iOS 5 operating system, which, Apple claims, brings over 200 new features. The phone also has a new voice-assisted feature, Siri, which will work like an intelligent assistant. Don't be disappointed if it looks just the same as the older phone.

Google was chosen as the best company to work for by 160,000 management and engineering graduates across the world, including India, according to a survey by global employer branding firm Universum. For the third year in a row, the internet search giant was ranked at the top of the list of the top 50 global businesses and engineering companies to work for. Auditor KPMG is where the largest number of B-school students want to work, while IBM is the favourite of budding engineers.

Economy

Exports rose 44.25 per cent to $24.3 billion in August, while **imports** went up by 41.82 per cent to $38.4 billion. This leaves a trade deficit of $14 billion. *(See the worry of slowing exports, Page 64.)* But the worry lines came from the **HSBC Markit Purchasing Managers' Index**, which in September was at its weakest in two-and-a-half years.

While **foreign direct investment** in multi-brand retail remains contentious, the government may remove the ceiling for **single-brand retail**. "It is under consideration," Industry Secretary R.P. Singh told *Reuters*. India currently allows 51 per cent FDI in single-brand retail and 100 per cent in wholesale operations. Waiting in the wings to tap India's 1.2 billion population are Wal-Mart, Carrefour and Tesco.

The Cabinet has approved a **bill directing coal mine owners to share 26 per cent of profits with local communities** and other mine owners an amount equivalent to royalties. This is expected to ease land acquisition and quicken the pace of development, but industry is worried over the rise in business costs. Among the projects stuck because of local protests is **Posco's steel plant in Orissa**, which involves the biggest foreign direct investment in India at $12 billion.

Pulok Chatterji, considered close to the Gandhi family, has joined the Prime Minister's Office as **Principal Secretary**. He replaces **T.K.A. Nair**, who has been made adviser to the Prime Minister.

$127 bn,
or 5.7 per cent, has been the rise in advertising in the second quarter of this year, compared with 8.9 per cent in the first three months. According to Nielsen Holdings NV, Asian countries registered a 9.7 per cent increase in ad spend. Sixteen of 36 major markets, mainly in Europe, have reported a dip. Advertisers are looking for new avenues of growth, including digital marketing.

$5.8 bn
is how much India spent on arms purchases in 2010, topping the list of developing countries. Although Russia is the favoured supplier, India also acquired arms from Israel, France and the US, according to a US Congressional report. Global arms transfer pacts in 2010 amounted to $40.4 billion.

Markets

At the centre of a global financial storm, the Greek government made it clear that its actual budget deficit would be closer to 8.5 per cent of gross domestic product, or GDP. It needs to cut the deficit to 7.6 per cent of GDP this year. A Greek debt default, damaging the balance sheets of European banks and the prospects of the euro single currency, is worrying politicians and the public alike.

The Reserve Bank of India has cleared **Reliance Power's** proposal to raise $2.2 billion in external commercial borrowing. This will help the company replace three-fourths of the debt for its **Sasan** ultramega power project with cheaper Chinese and American loans.

Sebi has extended the deadline for promoters to convert their physical holdings into demat form to December 31.

Coming Up

What defines poverty? After much debate and heartburn on the Planning Commission's affidavit in the Supreme Court that the spending threshold per capita for the poverty line in cities was ₹32 per day and in villages ₹26, the government decided to wait for the findings of the socio-economic caste census, which is expected by January next year, to determine entitlements poor households should receive under welfare schemes. Civil society organisations will be consulted, said Planning Commission Deputy Chairman Montek Singh Ahluwalia.

SANTOSH

FOCUS

14 Bond with Inflation
17 Blame It on Diet
24 Thirsty Planet
30 Invest in the 'Dead'

Wrong Prescription

Providing access to quality health care should be the real concern, not the perceived impact of FDI on drug prices, says G.V. PRASAD

SANTOSH

Recently, sections of the government called for curbs on foreign companies investing in or buying Indian pharmaceutical companies out of concern over a possible rise in drug prices. The government is rightly concerned about prices, given the large population that will be impacted. However, one needs to consider medicine prices in India, and whether controlling foreign direct investment, or FDI, in pharmaceuticals will result in lower prices. We should also analyse if infusion of FDI will lead to higher prices, as well as what the government's focus should be to ensure affordable health care for our citizens.

Medicine prices in India are among the lowest in the world. This is aided by a vibrant pharmaceutical industry and a combination of price controls and intense competition. Indian companies are recognised as the lowest-cost suppliers of generic drugs to world markets, and have built strong capabilities in all parts of the value chain. With such a strong domestic industry, I do not see how the entry of international companies will lead to higher prices. In fact, FDI will further

PRASAD'S TAKE

India has a strong and vibrant domestic pharma industry

Infusion of FDI will not necessarily lead to higher prices of medicines

The government's focus should be to ensure affordable and quality health care for all citizens

This requires an integrated approach as well as emphasis on public-private initiatives

strengthen our industry and also bring in products of original research more rapidly into India. Higher prices of patented drugs are a strong possibility but this is in no way related to FDI. However, the government has existing levers such as price control to bring down prices of patented drugs. The government can also invoke the compulsory licensing route to create alternative sources.

FDI and the buyouts of Indian pharma companies by their global counterparts will not result in monopolies because of the highly fragmented nature of the industry and the relatively low entry barriers. Moreover, in an era when Indian companies have grown globally and are acquiring companies in markets such as the United States and Europe, it is unfair to deny global companies the right to do the same in India.

The bigger challenge is access to affordable and quality health care, which is constrained by the lack of health care infrastructure as well as a government-backed medicare system. This is a huge concern especially in the country's rural belts. Statistics show that over 65 per cent of India's population has no easy access to quality health care. Clearly, more investment as well as operating budgets are needed. Private-public partnerships to deliver affordable health care are also an alternative.

Food inflation grew from 5.6 per cent in 2008 to 14.4 per cent in 2010. In the same period, the rate of increase in drug prices came come down from 1.1 per cent to 0.5 per cent, according to data from the Centre for Monitoring Indian Economy. Around 35 per cent of our population lives below the poverty line and cannot afford any expenditure on medicines. Therefore, bringing more medicines under price control may not be an effective solution to increase access.

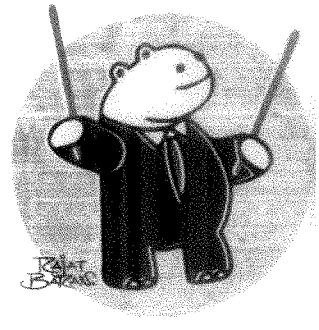
An integrated approach is required to bring about improved access to qualified doctors, diagnostics and hospitals with adequate price monitoring mechanisms. In this regard, innovative schemes such as Arogyasri in Andhra Pradesh, a public-private health care initiative for the state's poor, are noteworthy. Arogyasri is an insurance scheme which covers hospitalisation and treatment expenses up to ₹1.50 lakh. The government pays the insurance premiums and health care is delivered by private and government hospitals. Higher volumes help bring down treatment costs.

Schemes like Arogyasri are limited to a few states and need to be expanded to cover the entire country. The government should also make health insurance more popular for populations which are not covered by free schemes. For instance, affordable health insurance must be made an important part of employers' obligations. Besides, effective scale-up and utilisation of funding available to government agencies to provide out-patient coverage to low-income groups will also make a significant difference.

The government's focus, then, should not be on the perceived problems of FDI, but rather on the need to provide quality health care. Competition will take care of prices.

(The author is Vice Chairman and CEO of Dr Reddy's Laboratories)

WORDSMITH
(NEW WORDS IN BUSINESS)



HiPPO

What it means:
In workplaces, the Highest Paid Person's Opinion, or HiPPO, becomes the deciding factor in official discussions.

Origin:
HiPPO's popularity has coincided with the era of consultancy and MNCs and the need to get a global head's go-ahead on local business opportunities.

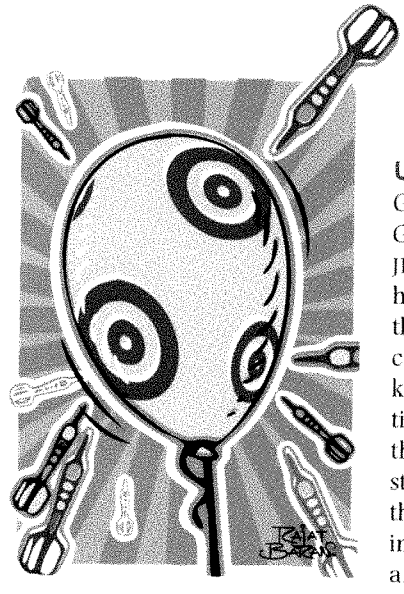
Usage:
"Are we ready to present this for the HiPPO?"

Bond with Inflation

RBI mulls inflation-linked instrument to blunt the bite from price hikes, but uncertainties remain. By SHALINI S. DAGAR

What's proposed? The Reserve Bank of India, or RBI, is planning to re-introduce inflation-linked bonds to offer investors a hedge against price rise. With inflation showing no sign of abating, the bank is keen on providing new instruments to investors to fight it. India's Wholesale Price Index, or WPI, accelerated to 9.78 per cent in August. It has stayed persistently high for more than a year despite RBI's repeated rate hikes. Details such as the tenor of these bonds as well as the choice of the inflation benchmark have yet to be announced.

How it works: The bond is tied to inflation, which could be headline inflation in our case. In other countries, it is linked to the consumer price index, as in the United States and Japan, or the retail price index, as in the UK. The link could be either between inflation and coupon rate, or the interest rate promised, or between inflation and the principal amount. In any case, the return on the instrument increases if inflation increases.



What it will achieve: Investors are already interested. Prashant Sharma, Chief Investment Officer at Max New York Life, believes there will be a significant appetite for such products. "Not only will they offer a natural hedge against inflation, but such instruments can also help us design products which have purchasing power protection built into them," he says. Firms such as his will be interested in inflation-linked bonds of 10-15 year tenure. D.V.S.S.V. Prasad, MD, PNB Gilts, a primary dealer in government securities, anticipates high interest in these bonds. Had inflation been in the four to seven per cent range, interest would have been muted, he says.

"If the coupon is high, many investors, including pension funds and hedge funds, will be interested. It can also be a platform to attract the retail investor," says Prasad. Joydeep Sen, Senior Vice President, Advisory Desk, Fixed Income, BNP Paribas Wealth Management, believes that even high net worth individuals will be interested. "Inflation is top of the mind for everyone. The only concern may be liquidity of the instrument," says Sen.

Uncertainties: Vikas Gupta, Executive Director, Global Emerging Markets, JP Morgan, is not sure how the market will price these bonds given the uncertainties around the key variable – the inflation index, which impacts the economics of the instrument. In India so far, the WPI is the measure of inflation, though there are measures of consumer inflation as well. Besides, the tenor of these bonds must cover a complete inflation cycle to allow for a medium-term call by investors. BNP's Sen believes a reasonable reset period for the coupon and the extent of inflation considered for indexation will be other key ingredients for its success.

Past experience: The only other time capital-indexed bonds were issued in India was in December 1997. They generated lukewarm interest in the primary and secondary market due to pricing complexities and the coupon being exposed to inflation.

GROWTH PANGS

THE INTERNATIONAL MONETARY FUND SEES GLOBAL ECONOMIC GROWTH SLOWING IN 2011

4%
The projected global economic growth in 2011. In June, IMF had put it at 4.3 per cent.

1.5%
The US growth projection for 2011, which is lower than the 2.5 per cent estimated in June.

1.6%
The rate at which the euro zone is expected to grow this year. It is down from the forecast of two per cent in June.

6.4%
The growth forecast for developing economies in 2011. The earlier estimate was 6.6 per cent.

7.5-7.7%
India's projected growth rate in 2011, against 8.5 per cent pegged by the world body in its June report.

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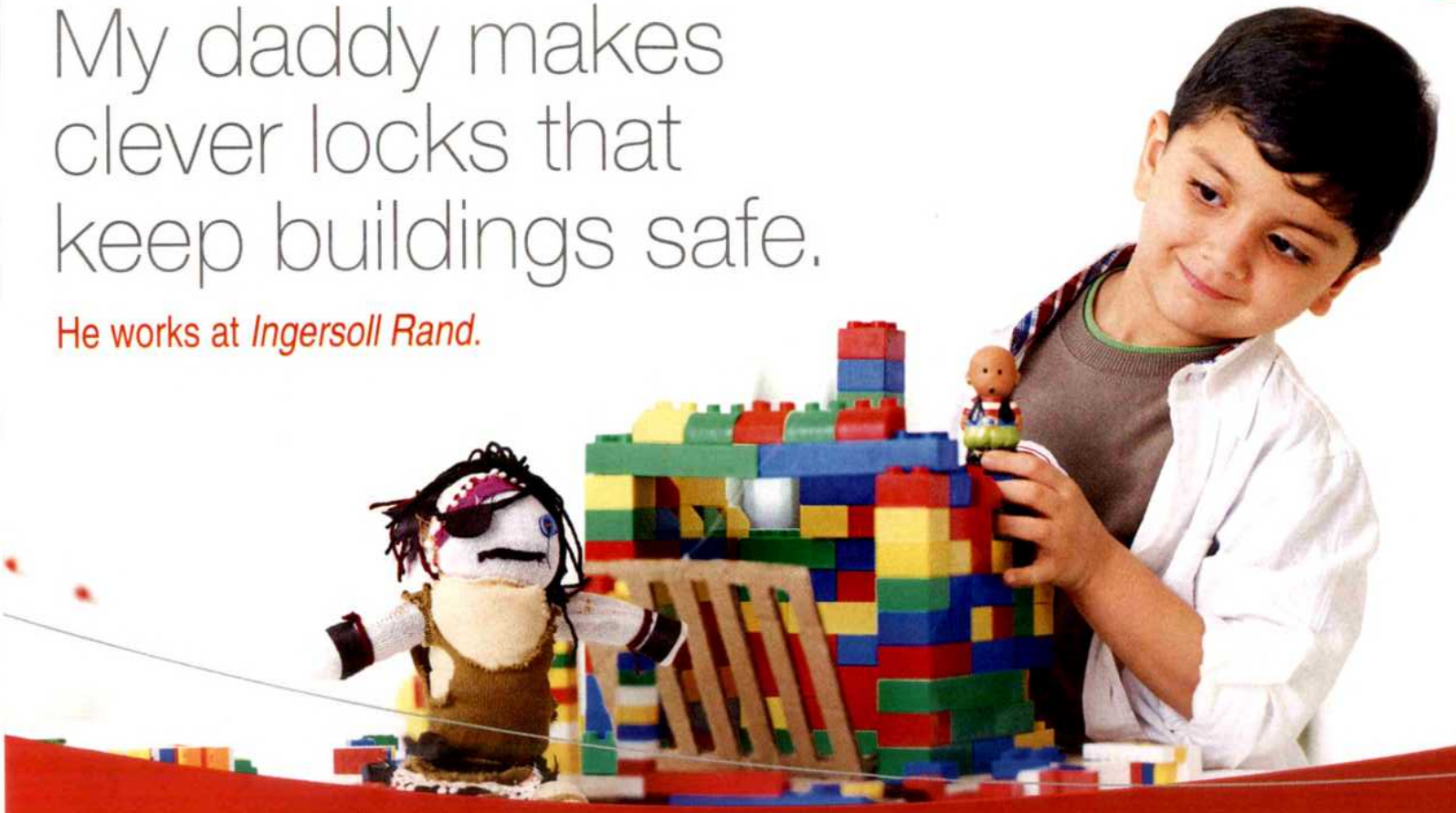
My daddy makes clever locks that keep buildings safe.

He works at *Ingersoll Rand.*



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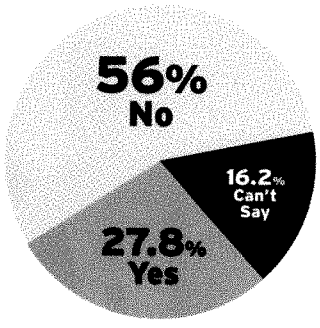
WILL RBI'S 12TH INTEREST RATE HIKE HELP TAME INFLATION?



Results of *BT* online poll;
No. of respondents: 137

The majority of respondents has answered in the negative. Just as all the earlier interest rate hikes by the Reserve Bank of India over the past 18 months have not been able to bring down headline inflation, this time too they do not believe the latest hike is going to make any difference. In fact, the efficacy of rate hikes in taming inflation has begun to be increasingly questioned by experts. They argue that the sequence of hikes must now be stopped, as it has begun impacting economic growth, and inflation should be tackled by addressing supply side issues.

Next poll question:

Is the Plan panel's criticism of the UID project under Nandan Nilekani justified?

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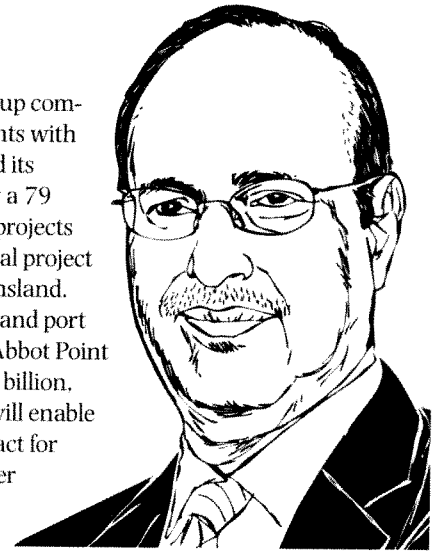
DEAL WATCH

BIGGEST DEALS IN THE PAST 30 DAYS*

G.V.K. Reddy

Hyderabad-based GVK Group, through its group companies, has entered into acquisition agreements with the Australia-based Hancock Prospecting and its affiliated entity, Hancock Group. GVK will buy a 79 per cent stake in Alpha and Alpha West coal projects and a 100 per cent stake in Kevin's Corner coal project located in the coal-rich Galilee Basin of Queensland. The company will also acquire control of rail and port projects to ease the movement of coal to the Abbot Point terminal. The acquisition will cost GVK $1.26 billion, which it will pay in three tranches. The deal will enable GVK to enter into a long-term purchase contract for shipment of up to 20 million tonnes of coal per annum for securing long-term fuel supplies for its subsidiary, GVK Energy Limited.



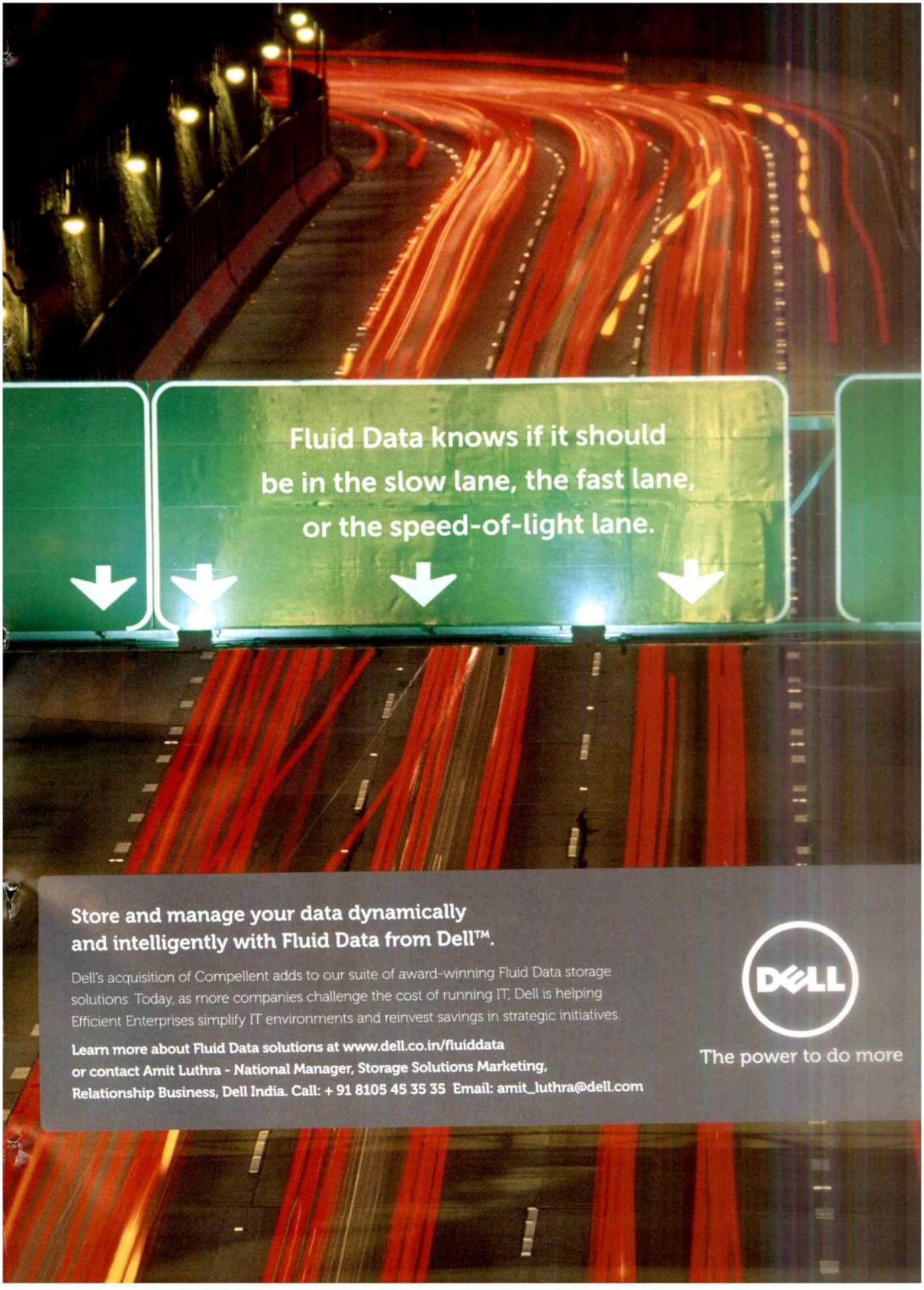
RAJAT BARAN

TARGET	ACQUIRER	INDUSTRY	TYPE	DEAL VALUE (₹ CR)	STAKE (%)
Hancock Coal Pty	GVK Power & Infrastructure	Metals and mining	M&A	**6,180**	-
SKIL Infrastructure	JPMorgan Partners	Infrastructure	Private equity	**1,962**	20
Vishwa Infrastructures	New Enterprise Associates, Olympus Capital	Infrastructure	Private equity	**310**	35
Omkar Realtors, Premium Residential Project	Indiareit Investment	Real estate	Private equity	**216**	-
BCL Springs Division - Bombay Burmah Trading Corporation	NHK Automotive Components	Automotive	M&A	**192**	-
People Combine Avenues	Ascent Capital	Education	Private equity	**159**	-
Undisclosed coal mines in Indonesia	Mercator Lines	Metals and mining	M&A	**147**	-
Bandhan Financial Services	International Finance Corporation	Financial services	Private equity	**144**	11

Ernst & Young is a leading M&A advisor in India. The data is based on media reports and company announcements. Any decision on the basis of this information should be taken only after professional advice. *Business Today* or E&Y do not undertake any responsibility with regard to any such decision

*September 2011

Not a complete list



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DELL

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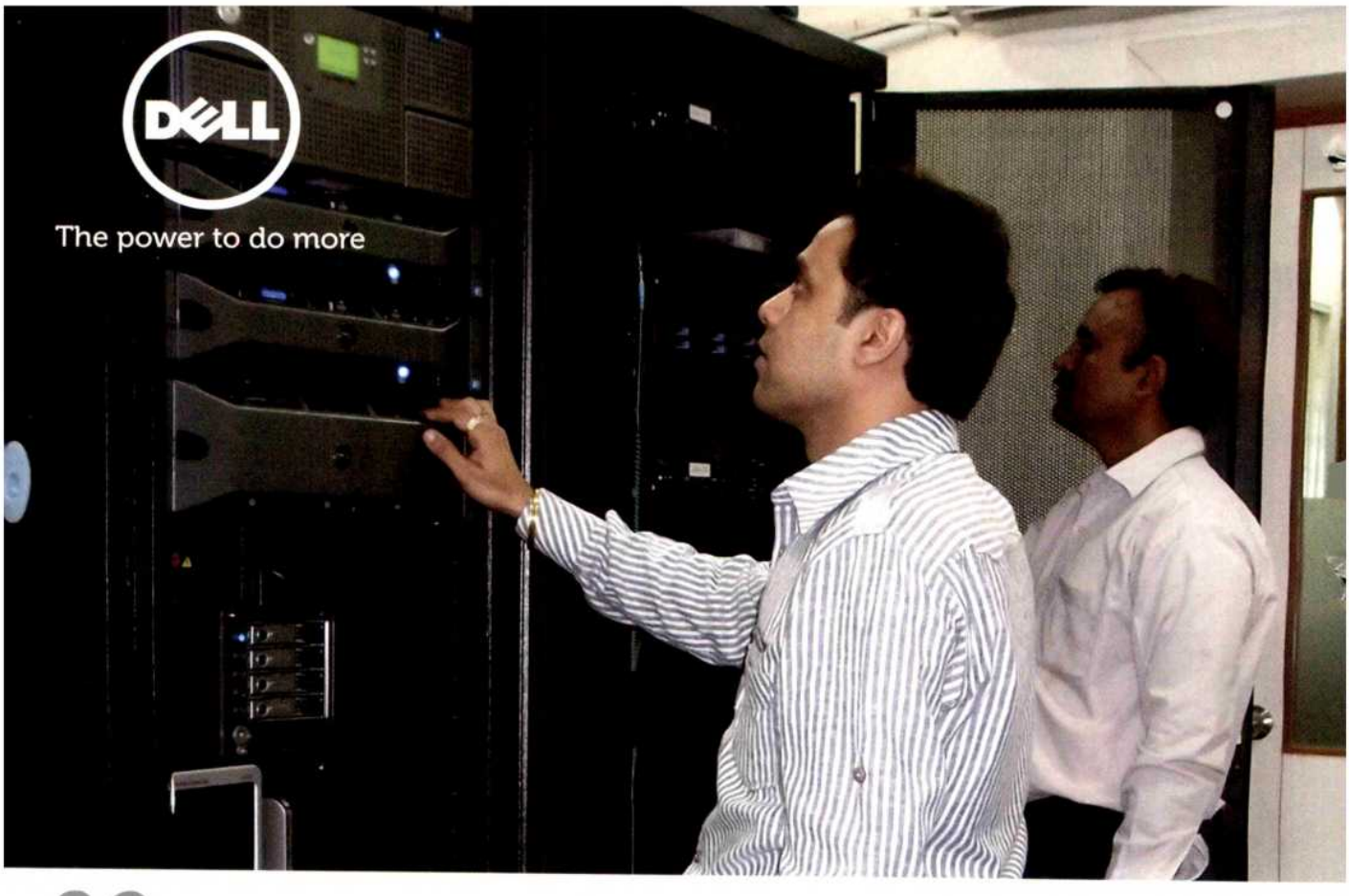

"With our robust infrastructure we can add storage in real time, allowing employees to access applications and information faster and reduce processing time in delivering reports to customers. We have significantly reduced customer waiting time and have received appreciative feedback from our customers."

Hemant Darji, IT Head, Gujarat Apollo Industries

Gujarat Apollo Industries Limited (GAI), one of India's leading manufacturers of road construction and maintenance equipment, needed to expand its IT infrastructure to meet increasing growth demands. The company expanded its Enterprise Resource Planning (ERP) modules by deploying Dell Servers and Storage solutions – Dell™ PowerEdge™ servers and Dell EqualLogic storage – supported by Dell ProSupport with Mission Critical.

Dell helps GAI deploy a future-friendly solution through virtualization

GAI envisioned an expansion of server infrastructure to serve the long-term needs and achieved this by deploying Dell PowerEdge R810 and R900 servers with VMware® vSphere™ 4 server software. They would support GAI IT infrastructure efficiently for the next five years. The virtual machines are easy and quick to deploy and they eliminate physical servers, reduce the need for additional space, energy and maintenance time.

IT team increases efficiency to focus on delivering value

GAI's IT team gained significant time savings in data replication through expanding their existing storage with Dell EqualLogic PS 4000XV and PS 6000XV storage area networks (SAN). The team has noticed improved performance through being able to complete data replication between iSCSI SANs within hours instead of days, resulting in additional time available for servicing the business.

Improved service delivery to customers

The robust infrastructure helps add storage in real time, allowing employees to access applications and information faster. The result: reduced process time in delivering reports to customers.

Ensuring future growth through a stable support system

Situated in a natural disaster prone region, disaster recovery is the highest priority for GAI. The built-in replication features of the SANs provide remote copies to fully protect the databases from site failure. As part of the solution deployed, GAI receives support services provided by Dell ProSupport with Mission Critical.

In short, through this solution deployment, GAI has seen the role of IT evolve, from a cost centre to adding value to the bottom line of the business.

The Dell Advantage

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- Increases IT team efficiency through virtualization and tested storage solution
- Minimises downtime with data replication to disaster recovery site
- Ensures future growth through a stable support system

For more information, go to www.dell.co.in/GujaratApollo

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Blame It on Diet

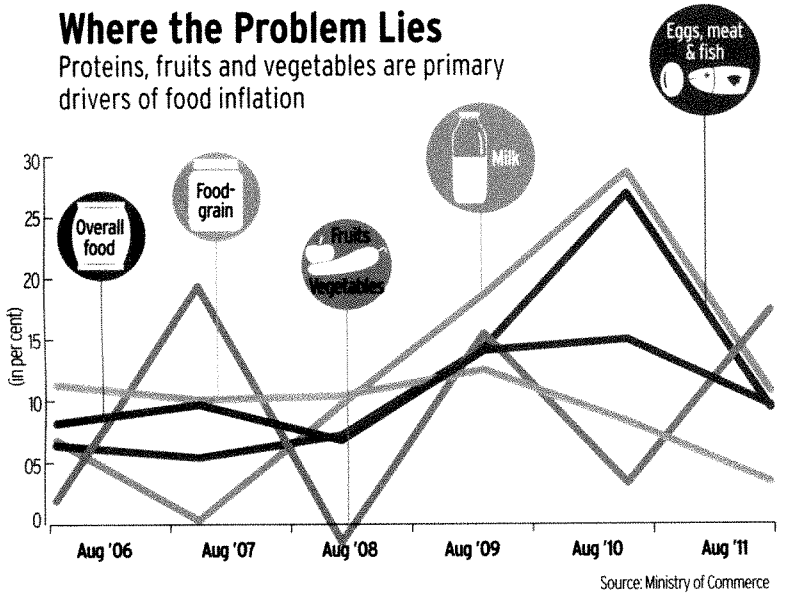
A normal monsoon may not dampen food inflation.

By SANJIV SHANKARAN

The good news is that the southwest monsoon was normal. The bad news: it may not have any impact on food inflation. "I don't expect food inflation to level off in the next two-three years," says Yoginder K. Alagh, agricultural economist and former minister, who is now on the board of Tata Chemicals. Food inflation is likely to be in double digits for the rest of the financial year, he adds. It was 9.13 per cent for the week ended September 17.

Where the Problem Lies

Proteins, fruits and vegetables are primary drivers of food inflation



Source: Ministry of Commerce

SANTOSH

The Reserve Bank of India's tight monetary policy is expected to pull back overall inflation, as measured by the Wholesale Price Index, or WPI, by the end of this financial year. An October 4 report on India's economy by Standard Chartered Bank forecast inflation would drop to 8.40 per cent by March 2012 from 9.78 per cent at present.

But food inflation is expected to buck the overall trend as the dynamics of food consumption in India have changed significantly in the last decade. The monsoon and agricultural policy impact a dwindling portion of the country's dietary pattern.

India's agricultural policy is largely designed to boost production of cereals. The monsoon's success also has a bearing on cereal production. This puts them both out of sync with the totality of items that affect food inflation. "The persistence of protein inflation has changed the inflation dynamics in the latter half of the 2000s," RBI's Executive Director Deepak Mohanty said recently.

The change in the dietary pattern in favour of protein such as eggs, meat and milk as well as vegetables at the expense of cereals such as wheat and rice has not been accompanied by a change in agricultural policy to enhance the supply of these commodities.

The double-digit food inflation between 2008 and 2010 is "demand-driven", says C.H. Hanumantha Rao, honorary professor at the Hyderabad-based Centre for Economic and Social Sciences. According to RBI, the demand comes from growth in incomes in both rural and urban India over the last five years. With a rise in incomes, the dietary pattern has shifted in favour of protein-based items, but supply response has been inadequate.

"You need to give a medium-term incentive and you are not giving a signal," says Alagh, pointing out that farmers do not have a stable pricing regime for non-foodgrain produce. Rao says the non-foodgrain output also tends to have a shorter shelf-life. A policy will have to factor in investment into back-end infrastructure such as rural roads and cold chains.

In the absence of adequate infrastructure and price incentives, farmers are unwilling to shift from cultivating grains to non-grain produce, says Alagh. This, in turn, keeps pushing up the price levels of non-grain produce as incomes rise.

In the absence of agricultural policy being reoriented, "the trouble is, it is going to curtail underlying growth of the economy", says Alagh, referring to RBI's strategy of using interest rate hikes to anchor inflationary expectations.

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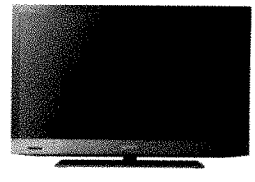

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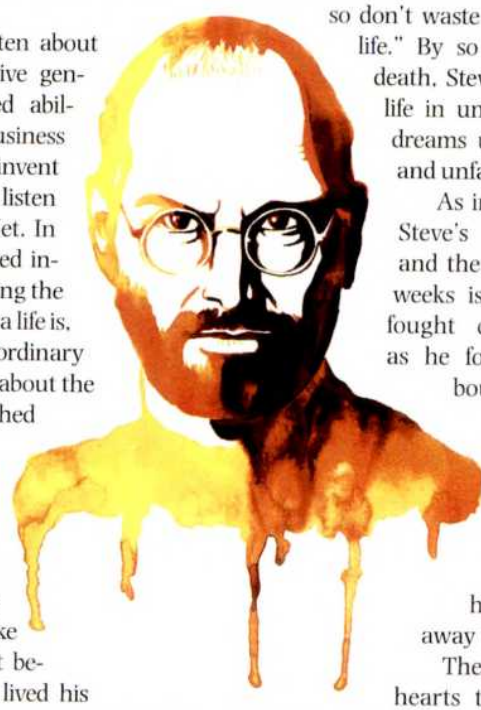
RAVI VENKATESAN

Steve, the Man We Wanted to Be

There has already been such an outpouring of emotion, so many tributes and eulogies to Steve Jobs. Does the world really need another sentimental obituary? What remains to be said? Nothing really. But I had to ask myself: "Why do I feel such sadness at the death of a man I never met? And why do so many of us feel a void in the world with his departure?"

Much has been written about Steve's vision and creative genius and his unparalleled ability to blend design and business model innovation to reinvent the way we read books, listen to music, and surf the Net. In the process he transformed industry after industry leaving the world a better place. Such a life is, indeed, worthy of extraordinary admiration. But all this is about the head. Why has Steve touched our hearts?



I wonder if the reason for our sadness, this outpouring of feeling even from competitors like Bill Gates and Eric Schmidt, or companies like Samsung and Nokia isn't because of the WAY Steve lived his life even more than WHAT he accomplished. More than any other person we are aware of, Steve lived life on his own terms completely oblivious of what others thought of him, and not wasting a second on things he didn't think important. This freedom resulted in stunning originality in product and business design. It allowed him to take personal and business risks most of us cannot contemplate. Much of his success can be attributed to this.

Where did this fearlessness come from? In his much circulated 2005 address to Stanford students, he offers an insight. "Death is likely the single best invention of life. Remembering that I'll be dead soon is the most important tool I've ever encountered to help me make the big choices in life. Because almost everything just falls away in the face of death leaving only what is truly important. Remembering that you are going to die is the best way to avoid the trap of thinking you have something to lose. You are already naked. There is no reason then to not follow your heart... your time is limited, so don't waste it living someone else's life." By so thoroughly embracing death, Steve was able to truly live life in unabashed pursuit of his dreams unencumbered by fears and unfazed by failure.

As inspiring as his life was, Steve's battle with cancer and the way he spent his final weeks is equally inspiring. He fought cancer as ferociously as he fought his competitors, bought himself five more years than doctors gave him, and when he realised his time was near, he quietly turned over the reins at Apple, said his goodbyes and slipped away without fuss.

The hole we feel in our hearts then is because Steve truly lived his life in a way we wish to emulate. We, too, wish to have the courage to pursue our dreams without fears, to live our lives on our own terms without caring about the approval of others, and to eventually leave the world a better place. The void is because our world is desperately short of leaders who are role models, and we just lost a precious one, who showed us that doing well and doing good are not mutually exclusive goals in business. The best tribute that we can pay to the man is to live our lives the way he lived his – with hunger, with courage and with tenacity. ◆

The author is an independent director at Infosys

Remembering that you are going to die is the best way to avoid the trap of thinking you have something to lose. You are already naked. There is no reason then to not follow your heart...

ILLUSTRATION BY SANTOSH

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"The Michelangelo of the computer era..."

N.R.Narayana Murthy, Chairman Emeritus, Infosys, in *The Times of India*

"Steve, the only way I can commemorate you is by committing to cut the crap from my life and dance to the tune of an inner voice."

Anand Mahindra, Vice Chairman & Managing Director, M&M, on *Twitter*

"He is in the same league as the person who created the wheel."

Shiv Nadar, Founder & Chairman, HCL Group, in *The Economic Times*

"Three apples have changed the world. The one offered to Adam, the one that fell on Newton, and the one of Steve Jobs."

Online chain mail

"His strong personality turned Apple into a cult brand."

Sunil Bharti Mittal, Chairman & Group CEO, Bharti Enterprises, on *Twitter*

"He left behind the possibility that one person can make a huge difference."

Vinod Khosla, Co-founder, Sun Microsystems, in *Hindustan Times*

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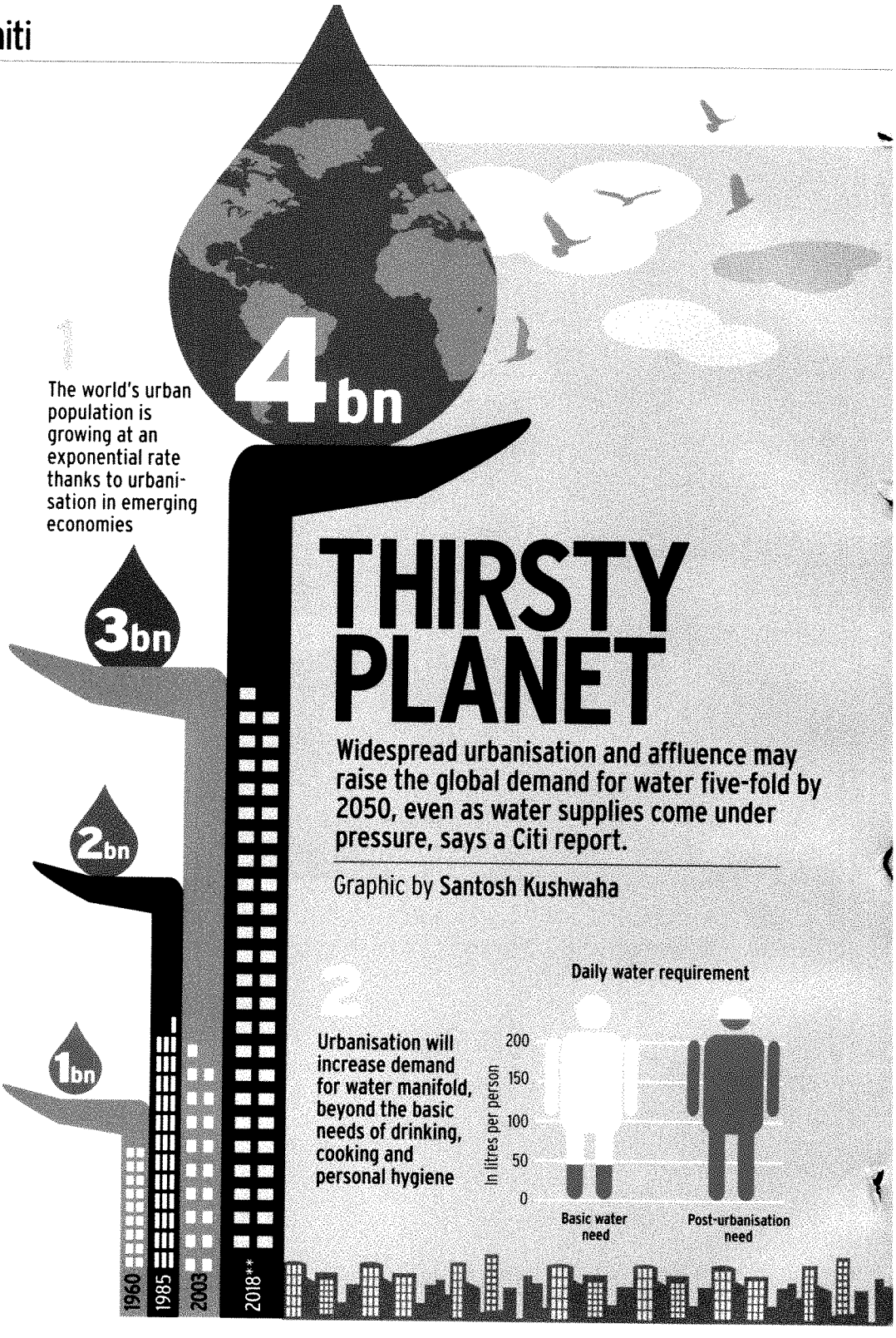
BT RETRO
(JULY 13, 2008)

Special Effect?

THEN: Anil Ambani's Reliance Big Entertainment (RBE) is all out to make its mark globally in the entertainment arena. After having inked seven production deals with the who's who of Hollywood in Cannes last month, the company has emerged as Steven Speilberg's DreamWorks, SKG's principal new financier. The company is reportedly in talks with DreamWorks to form a joint venture and is expected to pump close to $600 million for setting up a new venture with the Spielberg company. Apart from that, the new venture could raise another $500 million through debt financing. The proposed joint venture with RBE is expected to make six films a year.
It isn't unlikely that a deal like this could happen. After all, RBE has had trysts with Hollywood before; it has tied up with stars like George Clooney, Nicholas Cage, Jim Carrey and Tom Hanks to work on low-cost, low-risk projects. RBE did its first major Hollywood deal in 2006 through group company Adlabs Films when it cut a five-year multiple-picture deal with Ashok Amritraj's Hyde Park Entertainment.

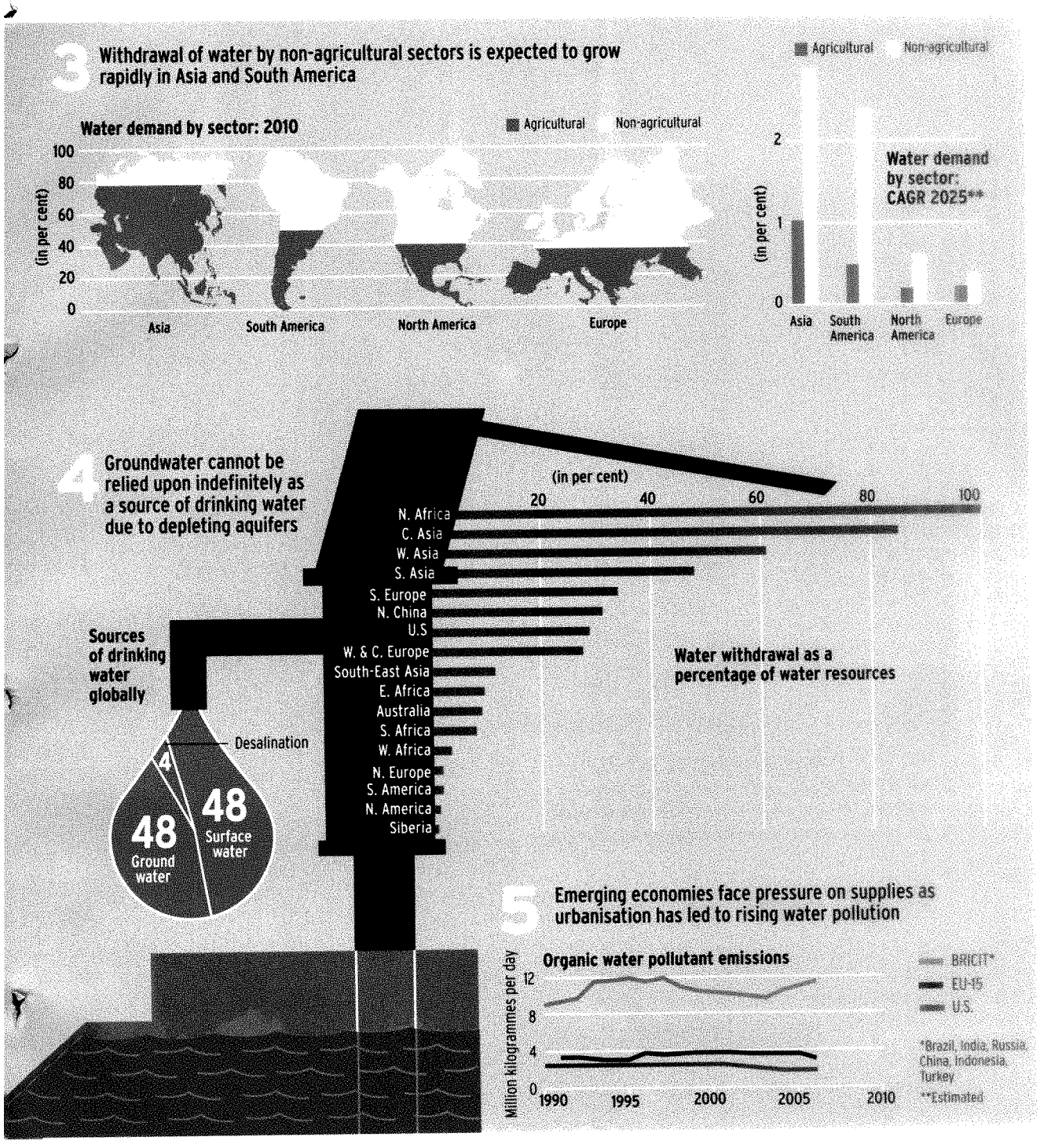
NOW: Motion picture company DreamWorks Studios, a $825-million JV between Steven Spielberg and Stacey Snider on one hand and Anil Ambani's ADAG on the other, was formed in July 2009. Movies from its stable include *Cowboys & Aliens*, *I Am Number Four*, and *The Help*. *Real Steel* and *War House* are in production.



5 STEPS TO HERE
STRANGLING SPAM

December 2006
TRAI issues a consultation paper on Unsolicited Commercial Communication, or UCC, invites stakeholders' comments.

September 2007
TRAI issues guidelines for the National Do Not Call Registry to curb unsolicited calls and messages.



December 2010
TRAI issues SMS Spam Regulations that cover UCC; puts off implementation as its Customer Preference Register online service is not ready.

September 5, 2011
TRAI sets September 27 for implementation, sets SMS limit at 100 SMSs per day for pre-paid users and 3,000 per month for post-paid users.

September 25, 2011
Ignoring cellular operators' call to reconsider, TRAI sets September 27 as the date to start implementation, but makes a few exceptions.

ANAMIKA BUTALIA

"FUTURE OFFICES WILL BE MORE PERSONAL-ISED SPACES"

Cisco Systems, a global networking company, recently released a report on how the world of communications is changing because of what it calls the 'millennial culture'. **MARIE HATTAR,** *Vice President, Borderless Networks Marketing at Cisco Systems, shared its findings as well as her views on the future of communications in a telepresence interaction with* BT's **SUNNY SEN.** *Edited excerpts of the interview:*

On the changing customer mindset: Three years back some of our customers did not want their employees to access data through their personal devices. Now, these companies want access on devices like the iPad and the iPhone.

Importance of social networking: It is like a business vertical coming up. Social networking is bringing in a lot of attention. It is a very cost-effective way of doing business. It is a supplement for sales processes.

On the future office: We have an Enterprise Briefing Centre in Bangalore which shows what the future 'office' will be like. These will be more personalised offices. Creating such offices and leasing them out might be a futuristic business model.

On penetration of market: We are looking at a few licensing models. But it is good to first start seeding the market with these new services. Facebook started as an ad-free service, was seeded in the market and then got advertisements.

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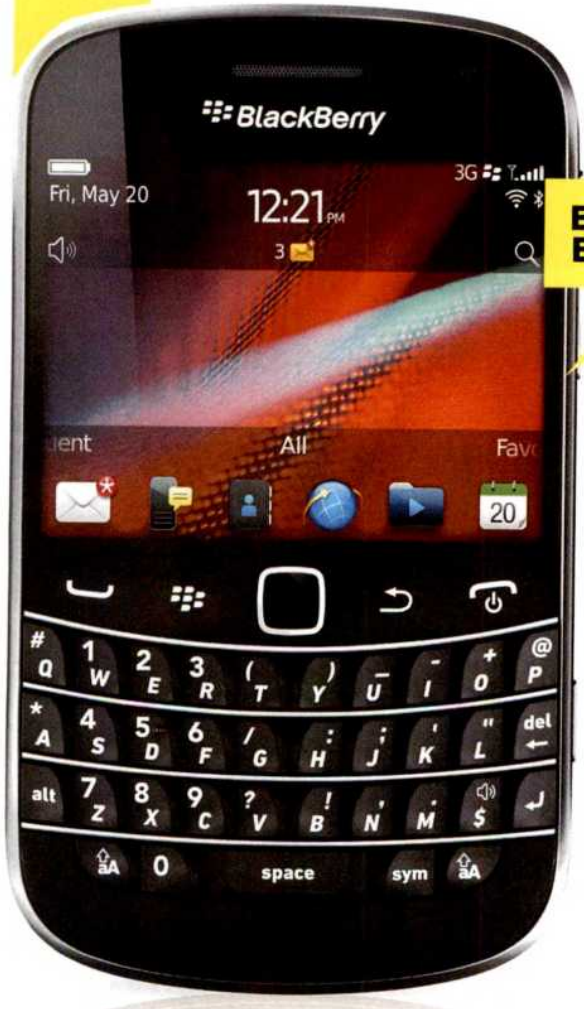
Performance feels laboured, touch response slow

Slow Mover

The new Reliance 3G Tablet is not bad. But that is hardly an endorsement. The price is right, given the decent 3G data package that Reliance Communications offers as an option, and that it runs a relatively recent Android version 2.2, though not the tablet-optimised version 3.0. But the device, made by Chinese company ZTE, is slow. Try playing Angry Birds, which is not a very demanding application, and the device slows down dramatically: you find the titular birds moving across the screen in a jerky manner. The touch response is nowhere as smooth as that on the iPad; the Reliance 3G Tab is far behind the Apple product. That said, this tablet wins over other similarly-priced tablets, simply because of the attractive data package that Reliance bundles with this product, as well as the network provider's fairly good 3G network.

Price: 12,999 (additional ₹7,000 for annual data package of 5GB every month)



BlackBerry Bold 9900

Latecomer Hits Sweet Spot

Touch screens on mobile phones have been around for nine years now. Research In Motion, or RIM, seems to have got it right very late. But with the BlackBerry Bold 9900, the Canadian maker of the best device to date for e-mails-on-the-go has hit a sweet spot – at least for users who swear by their BlackBerrys. The device sizzles with a high-speed processor, touch screen, a nifty OS and an HD camera. The 9900 sure offers RIM hope against Apple and Android.

Price: ₹32,490

1.2GHz processor, OS7, high-spec touch screen

High price, an AppWorld very bare, screen not as good as Android models from other phonemakers

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QUIRKY

Invest in the Dead

Forget gold, real estate and stock markets. A Bangalore-based trust is offering an investment scheme that promises to make you a crorepati in 25 years by investing ₹50,000 in a 10x10 feet burial site. The trust along with the Karnataka Soaps and Detergents will plant five samplings, including one of sandalwood, at the site. According to it, the sandalwood tree will fetch ₹1 crore after 20 years, which will go to the investor. The trust also promises to refund the initial sum through bonds on maturity.

HOW THINGS WORK

Retrieving Sunken Treasure

Recently, a World War II shipwreck with an Indian connection has surfaced. British cargo ship *SS Gairsoppa* was travelling to India when it was torpedoed by a German U-boat in 1941. It sank to the bottom of the North Atlantic Ocean with seven million ounces of precious silver. Here's how such valuables are salvaged.

WHAT IS NEEDED: For deep underwater salvage, scuba diving equipment and training in diving skills is essential. Equipment like side scan sonar, state-of-the-art detecting devices, underwater cameras and even underwater robots may be used.

RETRIEVAL PROCESS: Usually, tunnels are dug under the hull of the wreck. The wreck is then lifted using steel cables connected to lifting floatation devices called pontoons. Usually, over 1,300 divers are employed to salvage ships weighing 1,200 tonnes.

TIME TAKEN: Large ships can take months, if not years, to be lifted off the ocean bed.

SNOOT CORNER

Rare Vintage

Vintage cars are collectors' items. But they cannot be just any old cars; they need to have been manufactured between 1919 and 1940, and in good condition. The 1931 Type 41 Bugatti Royale is one of only six pre-war vintage car brands and also one of the most expensive. This $42,000-car was auctioned by Christie's for $8.7 million in 1987. With over 600 cars, the National Motor Museum in France has one of the largest vintage automobile collections in the world.

JUST WONDERING

Running Late

In the past year-and-a-half, Bangalore has missed its date with Metro five times. Work on the 33-km, ₹5,400-crore phase 1 of the project was scheduled to begin in 2005. But, because of delays due to a change of government in the state in February 2006, as well as debate over the suitability of Metro for the city, the Union government had to approve the project afresh in April 2006. Work could begin only in 2007. Meanwhile, the Bangalore Metro Rail Corporation announced the extension of Phase 1 to 42 km and the number of stations to 40 from 32. The approval for it came only in 2008. The first phase was originally scheduled to open in March 2010. The latest deadline is before Diwali, but since work on the stations has still to be completed, Bangalore looks like missing its sixth date with Metro as well.

COMPILED BY ANAMIKA BUTALIA

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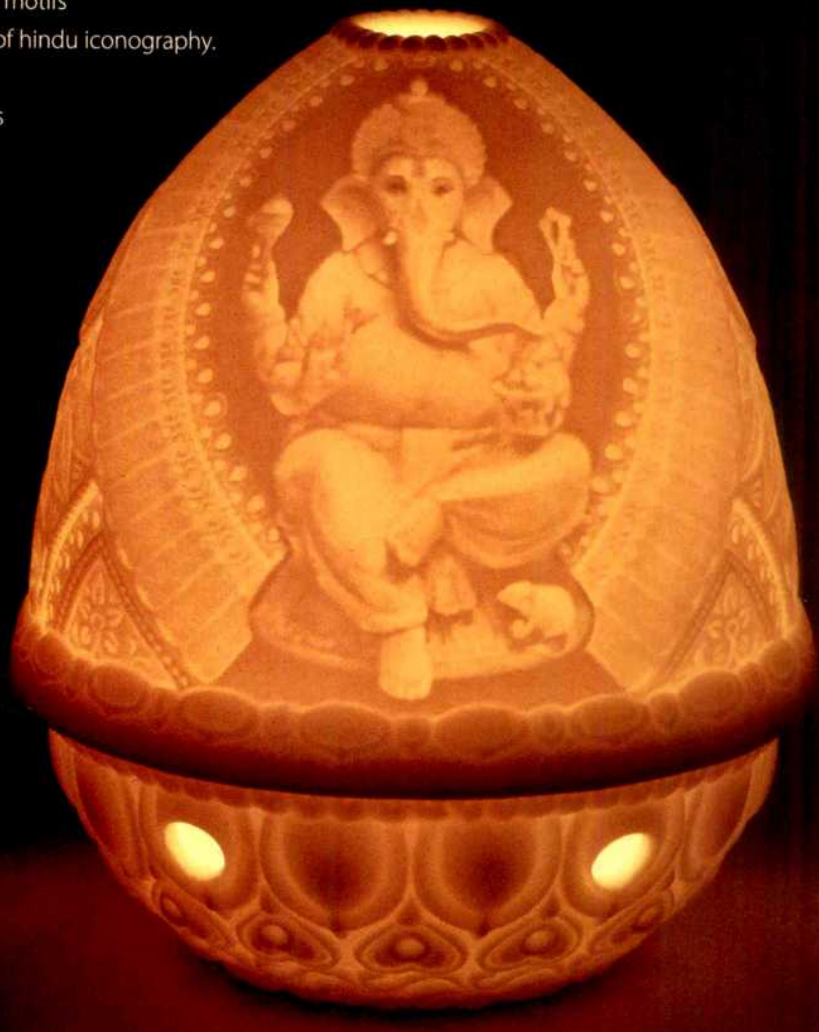

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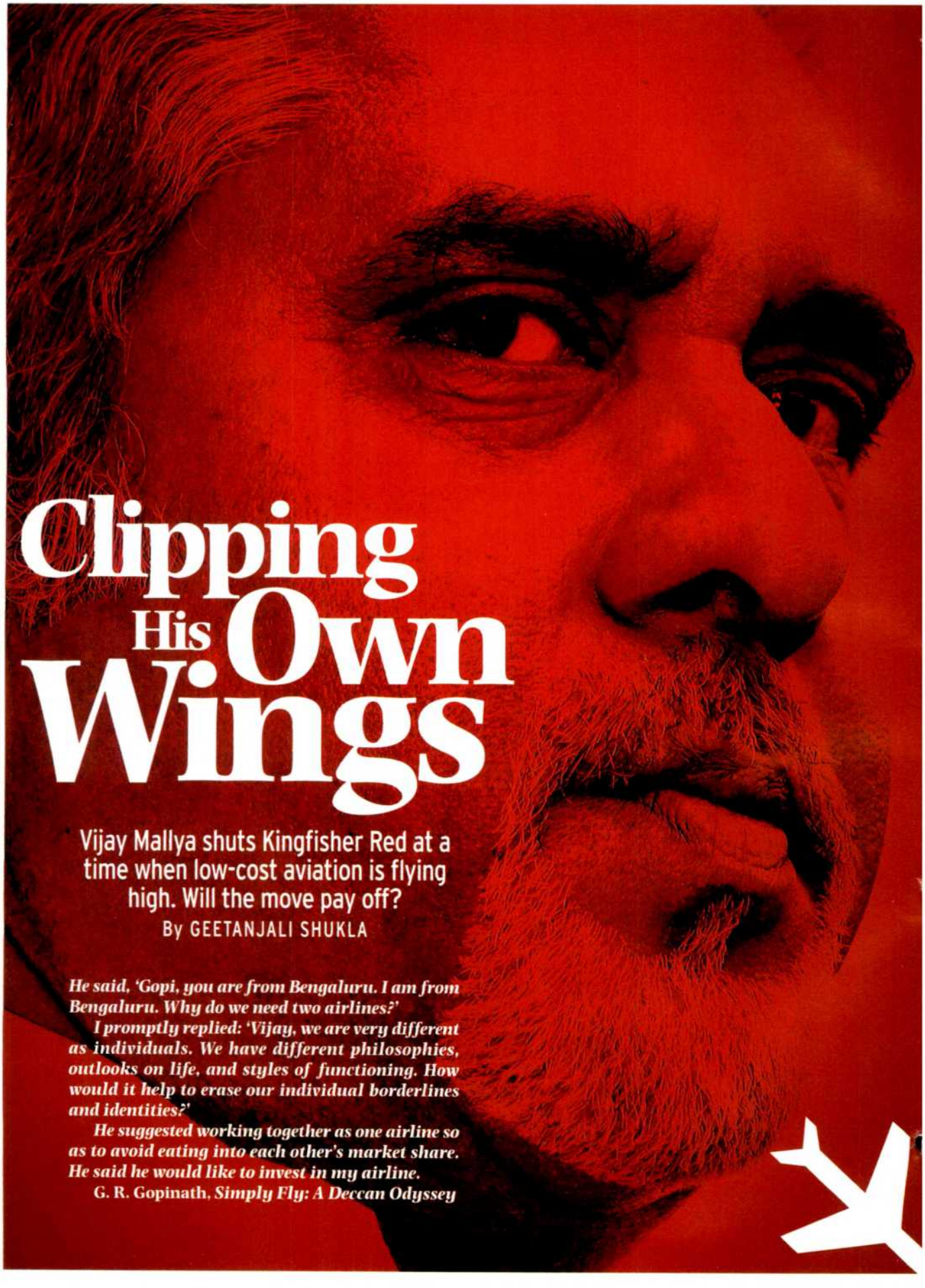

Clipping His Own Wings

Vijay Mallya shuts Kingfisher Red at a time when low-cost aviation is flying high. Will the move pay off?

By GEETANJALI SHUKLA

He said, 'Gopi, you are from Bengaluru. I am from Bengaluru. Why do we need two airlines?'

I promptly replied: 'Vijay, we are very different as individuals. We have different philosophies, outlooks on life, and styles of functioning. How would it help to erase our individual borderlines and identities?'

He suggested working together as one airline so as to avoid eating into each other's market share. He said he would like to invest in my airline.

G. R. Gopinath, *Simply Fly: A Deccan Odyssey*

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What started as a collaboration and investment by Kingfisher Airlines in Air Deccan soon turned into a merger of the two in 2007, followed by two rebranding exercises with which Air Deccan, India's first low-cost carrier, metamorphosed into Kingfisher Red. On September 28 this year, Kingfisher Red was awarded the death sentence.

Kingfisher Airlines Chairman Vijay Mallya announced after the company's annual general meeting in Bangalore that he was discontinuing the low-cost service. Kingfisher Red would cease to exist over the next four months. Its 15 single-cabin, no-frills aircraft would be converted into a mix of business and full-service economy class seats to become part of the airline's full-service fleet.

Kingfisher, which holds a 18.8 per share of the domestic market, also announced it would reduce the number of business class seats on many of the aircraft on its full-service fleet and add seats to the economy section. The airline claims the two moves will increase its capacity by around 10 per cent.

Will increased capacity also result in better financials? The two far-reaching decisions are part of the airline's continuing efforts to reduce its staggering total debt burden of around ₹5,500 crore. In April this year, it allotted around 11 per cent stake to State Bank of India and ICICI Bank in a debt restructuring exercise. More recently, it announced it would try to raise around $250 million in global depository receipts.

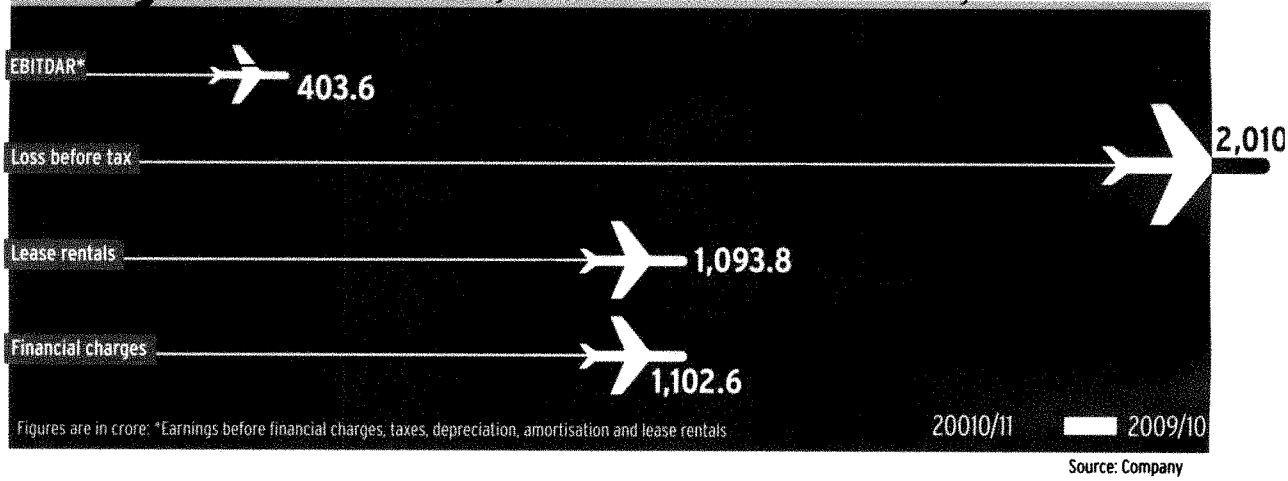
But its performance continues to be mixed. Though its first quarter results for the current financial year showed net sales increasing by 14.7 per cent to ₹1,881.64 crore, its losses continued to mount. The loss for the first quarter was ₹263.54 crore against ₹187.35 crore in the same period last year. Kingfisher has attributed the decline to the rise in the price of aviation turbine fuel.

Kingfisher's curious decision to close Kingfisher Red comes at a time when low-cost carriers are doing better than ever before, having captured 45.5 per cent of the Indian market. While Kingfisher has been losing money, IndiGo reported an 18 per cent increase in profits for 2010/11 on the back of a 42 per cent rise in revenue. SpiceJet's profit for the same year was ₹101.16 crore, up 64.6 per cent. Market leader Jet Airways has said it plans to increase its domestic low-fare capacity to 80 to 85 per cent of its total fleet, from 72 per cent.

Sanjay Aggarwal, CEO of Kingfisher Airlines, is emphatic that the decision to close Kingfisher's low-cost arm was the right one. "A detailed study over the last six months during the high oil price regime has clearly demonstrated that Kingfisher's full-service product generated higher yields and load factors," he says. "This is consistent with our assessment that the business travel segment is more sustainable than the extremely price sensitive low-fare segment." (See *interview.*)

But the second decision – to reduce the number of business class seats in its dual-cabin aircraft – is being endorsed by many in the industry. "Kingfisher's business class seats are costly propositions," says Gopinath. "They are more compli-

Rough Weather Kingfisher's losses and debt have been mounting



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"Competition will be more intense in the low-fare space"

SANJAY AGGARWAL, *CEO, Kingfisher Airlines, tells* **GEETANJALI SHUKLA** *why he thinks quitting the low-cost airline segment makes business sense. Edited excerpts:.*

Why focus solely on the full-service product, and why now?

Operating costs of the so-called low-cost carriers and full-service carriers in terms of fuel, crew, airport charges, and engineering and maintenance expenses are similar. Full-service carriers incur additional costs on global distribution systems, in-flight catering, ground amenities and the frequent flyer programmes. These are more than recovered through the higher yields. While there are three low-cost carriers which are adding huge capacity, there are only three full-service carriers – Air India, Jet Airways and Kingfisher Airlines. The induction of so many additional aircraft in the low-cost segment will lead to substantial over capacity and a price war with declining yields. Competition will be far more intense in the low-fare space than in the full-service space.

SHEKHAR GHOSH

How will getting out of low-cost help Kingfisher streamline its finances?

Over the next four months, Kingfisher will reconfigure all its Airbus aircraft including its single-cabin aircraft into dual-cabin aircraft with a reduced premium business class cabin and an increased number of full-service economy class seats leading to a capacity increase of approximately 10 per cent. The reconfigured aircraft will have seat equivalency of a low-fare carrier, but an opportunity to generate much higher revenue. Kingfisher will achieve incremental business class revenue as a result of wider and uniform availability. The airline will also generate incremental revenue through its increased full-service economy class capacity.

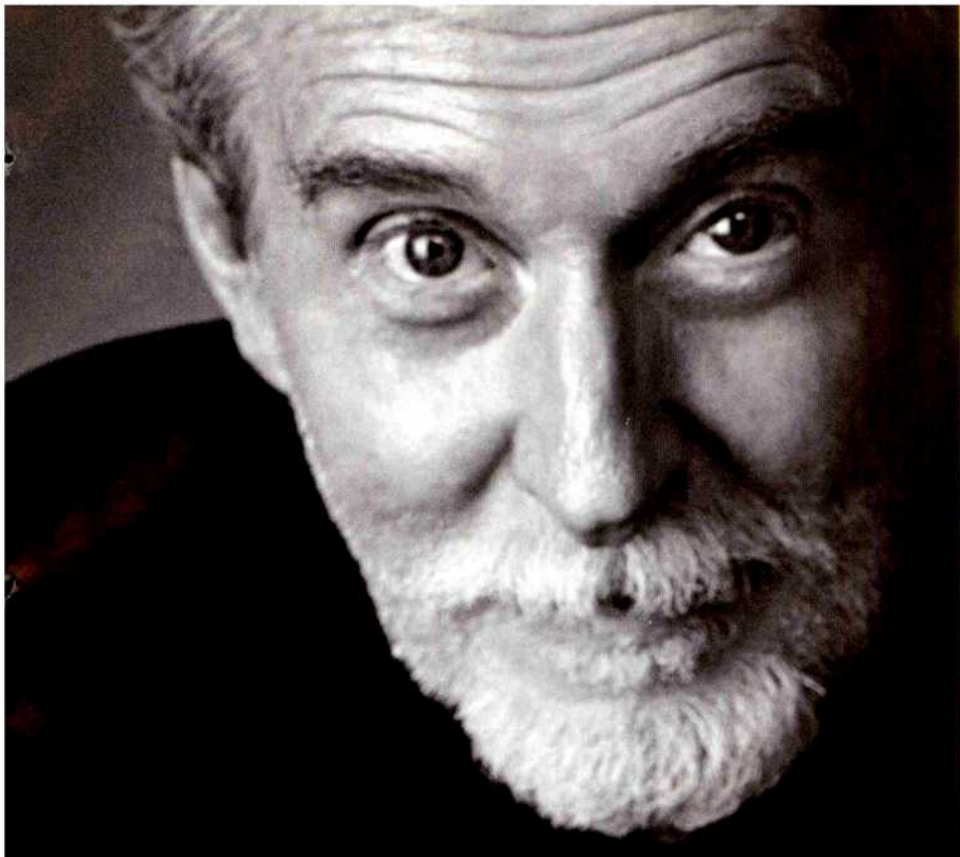
Are there plans to further restructure debt?

The airline has made a proposal to the banks to work together to reduce the debt. The banks are reviewing the proposals.

cated, heavier, and costlier. As they are heavier there is more fuel burn, and because they are more complicated they require more maintenance." An official from a rival carrier added that the business class occupancy rate in airlines touches 80 per cent only on the Delhi-Mumbai route and that too during peak hours. During non-peak hours and on other sectors, it averaged 50 to 60 per cent, providing limited profitability. Industry insiders also point out that the dual-cabin aircraft can also be used on short-haul international routes in the night, thereby offsetting the losses made on domestic flights during non-peak hours.

Does Kingfisher have any other options? Experts feel it cannot even use a standard means of raising funds – sale and lease back of aircraft – many of its rivals have employed. This consists of buying aircraft at a discount, which all those airlines that place large orders get. When the aircraft is delivered the airline sells it at full price, but leases it back for use. "This way it earns a profit of around ₹20 crore per aircraft," explains Aggarwal. But Kingfisher already has 54 of its 67 aircraft under operating leases, while eight others are under financial leases. It does not have the option for a sale and lease back unless it takes delivery of more aircraft.

"We believe the airline needs funds as soon as possible," says Neeraj Monga, Executive Vice President of equity research firm Veritas Investment Research. Veritas had earlier raised questions over the airline's accounting standards and the April debt recast. "Our research shows it is losing between ₹3 and 4 crore a day." Not quite becoming of the king of good times, is it? ◆



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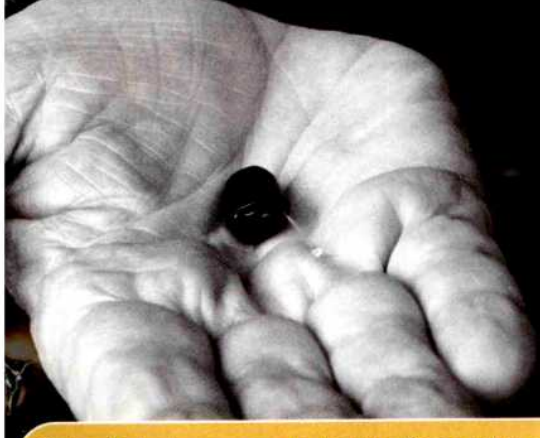

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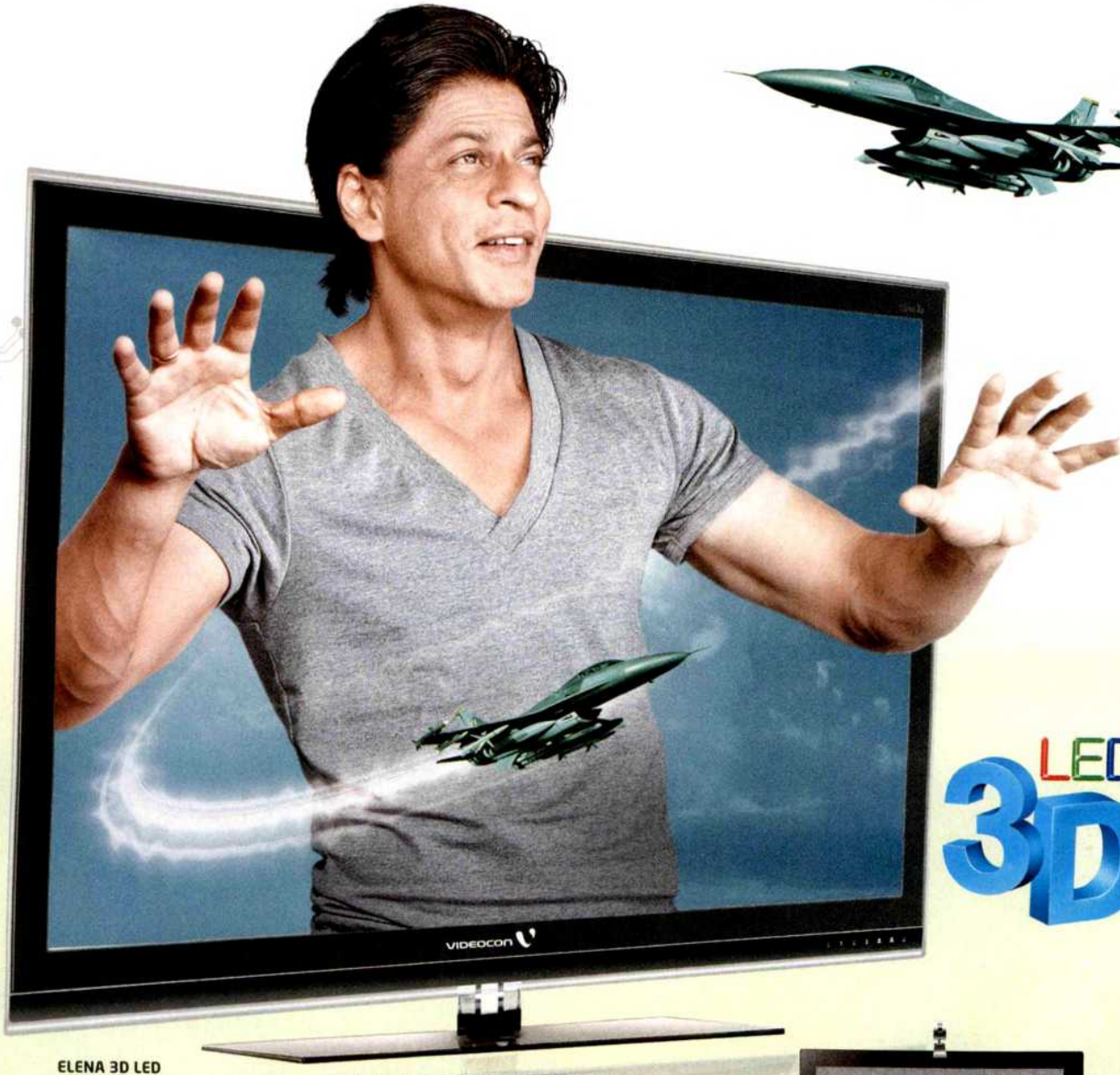

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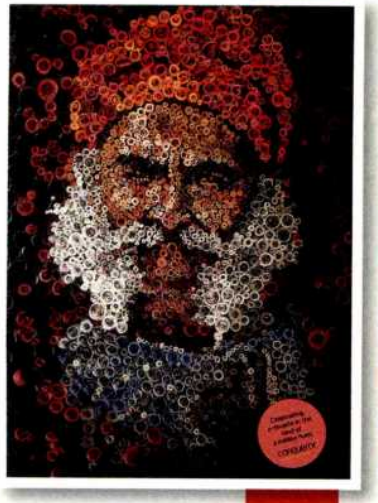

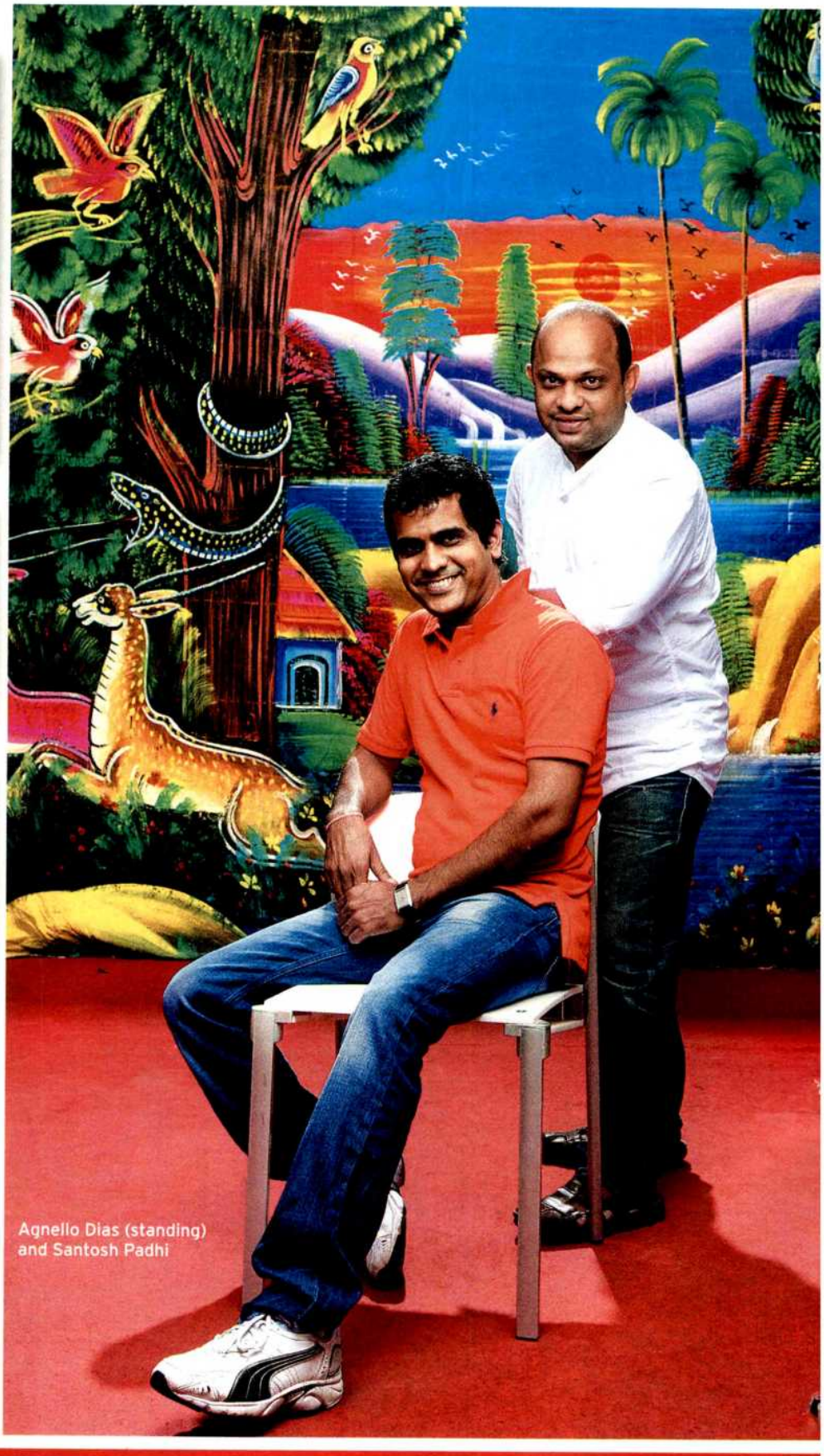

Agnello Dias (standing) and Santosh Padhi

GAINING GROUND

Why the upstart has won the admiration of even big rivals.

By ANUSHA SUBRAMANIAN

The next time you catch yourself humming Airtel's latest jingle, thank Agnello Dias. He is the one who came up with the campaign line "*Har ek friend zaroori hota hai*", which Bollywood lyricist Amitabh Bhattacharya turned into the song that has caught the imagination of young consumers. The latest success of Mumbai-based advertising upstart Taproot India has won the admiration of even rival agencies. Founded just three years ago, Taproot, an independent creative agency that works with conventional and non-conventional media, has lost little time in bagging big clients and winning international awards.

Business Today caught up with Dias, better known to his friends as "Aggie", and his colleague Santosh Padhi, who goes by "Paddy" – the co-founders and Creative Directors of Taproot – in a suburban Mumbai studio crammed with huge lights and a hand-painted jungle backdrop. They were on the set of a shoot for a print campaign for *The Times of India*. While Taproot's photographer Amol Jadhav set up his equipment, its co-founders got ready for a shoot for *BT*.

The Times of India, a leading national daily, was one of Taproot's earliest clients. Paddy is cagey about the concept of the latest campaign. Instead, he says: "The Times Group has more than 10 agencies working with it on different brands. We were lucky to get a huge chunk of the work, because Rahul Kansal and Priya Gupta of the group already knew our strengths." Aggie had worked on *TOI* campaigns during his three years at advertising giant JWT.

Today, Taproot is one of the country's most sought-after agencies, with an impressive client roster that includes the Condé Nast Group, Pepsi, and the UTV Group. Its awards include a gold and silver at the Cannes advertising festival last year. Taproot's co-founders are unwilling to discuss revenue or billing numbers. Aggie, a commerce graduate who became an ace copywriter almost by chance, says only that Taproot is growing "approximately 50 per cent year-on-year, for the last two years".

Paddy, a graduate of Mumbai's J.J. School

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Conqueror Papers campaign

Times Group campaign

Santosh Padhi
(Paddy), 37
Agnello Dias
(Aggie) 46

AGENCY: Taproot India
LAST JOB: (Paddy) Executive Creative Director, Leo Burnett; (Aggie) Chief Creative Officer, JWT
WHY THEY QUIT: To set up their own creative agency
MAJOR CAMPAIGNS AT BIG AGENCIES
Luxor Pen, McDonald's (Paddy) Nike, Lead India (Aggie)
BIG CAMPAIGNS AT TAPROOT
Aman ki Asha, Pepsi Cricket World Cup, Conqueror Paper
USP: Creative experimentation that can potentially break new ground

Paddy

WHAT I LIKE TO READ: I am not an avid reader, but I like to read about photography and design
WHAT I LIKE TO LISTEN TO: Indian classical vocal, sometimes instrumental
FILMS I LIKE TO WATCH: Realistic ones
WHEN NOT AT WORK: Spend time amid whatever is left of nature in Mumbai, and try to breathe some fresh air

Aggie

WHAT I LIKE TO READ: Non-fiction
WHAT I LIKE TO LISTEN TO: Western and Indian classical music
FILMS I LIKE TO WATCH: Documentaries
WHEN NOT AT WORK: Sleep, play with my sons

of Art, says the agency has been consistently successful over the last three years in terms of the creative product, profits and overall growth. He adds: "A posh office, a bizarre culture or mind-blowing philosophy is of no use if you can't keep producing great work. We feel everything else is secondary when we talk about work and, to be frank, we don't have anything to show apart from our work."

The economy was tough when Taproot launched in January 2009. Bagging clients was not easy. Aggie says: "Initially, many clients thought we would be cheap, because we were starting out. That was a revelation."

Paddy says: "After a few months, we got really lucky." The agency that started out with three people now has 33, most with three to five years' experience. The average age of the team is 24. "This was our original plan," says Paddy. "We stuck to it, and it has worked well for us." Aggie adds that the last three years have been "overwhelming in a positive and negative way – sometimes exciting, sometimes intimidating".

The duo have known each other for nearly a decade, and are on the same wavelength on the creative front. Aggie says: "If the brief involves creative experimentation that could lead to breaking new ground, that is always better than doing the same old thing again."

The two are proud of Taproot's work over the years, but Paddy singles out the Pepsi Cricket World Cup campaign, which, he says, not only gave their team confidence, as execution was a challenge, but also sent the message to other small agencies that nothing is impossible. For Taproot, the campaign clearly defined the creative tone.

Perhaps the most precious accolades are those that come from rivals. Arvind Sharma, CEO of Leo Burnett, where Aggie and Paddy both worked for almost a decade, says: "Both are incredibly talented. I am happy to see them succeed. Aggie is a versatile writer. And Paddy is one of the best art directors in the world, with a good sense of where advertising is headed."

Sumanto Chattopadhyay, Executive Creative Director at Ogilvy & Mather, South Asia, does not know the Taproot duo personally, but says he admires them for leaving large network agencies to set up their own. "Right from the word go, they have managed to do some fantastic campaigns," he says. "They have done work that has garnered mass appeal, and also niche work, such as the Conqueror Papers campaign. They've done it all in a short time. It's quite incredible."

Both of Taproot's co-founders say they see themselves as coach-cum-player, and that mentoring juniors is part of their job along with creative work. So at least one of them is directly involved in any business they sign on. Taproot is currently headhunting senior professionals, and considering geographic expansion. It is also planning a digital division, as it expects that the digital medium is the next big thing. ◆

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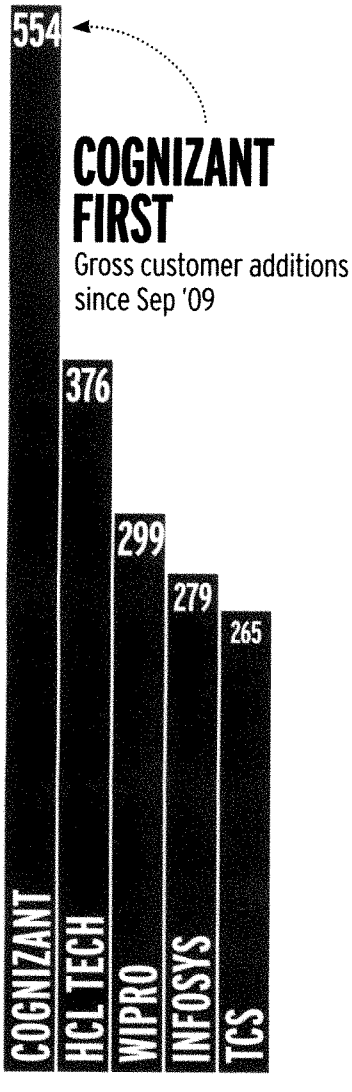
THE RAINMAKER

Under headman Francisco D'Souza, Cognizant has turned the outsourcing model on its head. Having overtaken Wipro, it is chasing Infosys.

By SUNNY SEN

Cognizant Technology Solutions' moment of epiphany came one summery day in July 1998 on Wall Street, New York. Spun off two years earlier from ratings data giant Dun & Bradstreet, or D&B, the company was presenting its plan for a share sale on NASDAQ. At that time, most of its revenues came from its former parent and this had a banker saying: "If Cognizant can be listed, I can take the MIS department of any large US corporation public." MIS was short for management information systems, as information technology systems were commonly called in the 1980s and 1990s.



The sarcasm stung. But the lesson was clear: Cognizant had to stand out in the information technology, or IT, fraternity. It could take the road of high innovation of Microsoft – those were pre-Google days – or the path of operational excellence of, say, International Business Machines, or IBM.

Or, it could evolve around a customer-focused model.

Clichéd as customer-centricity sounds today, Kumar Mahadeva, the then CEO, and his key lieutenants – including current honcho Francisco D'Souza, who was then head of the US operations – chose to go the extra mile in servicing clients. The New Jersey-headquartered company, with most operations run from Chennai, decided it would not undercut competition on pricing but spend more on client servicing and invest in domain expertise to deliver extra value.

The philosophy matured into the core of Cognizant's business model, helping it to eventually catch up with bigger rivals, who had a head start of at least a couple of decades and were perfecting offshore delivery from India. As a captive of D&B, "we had only one customer and our focus was only technology and how to deliver quality", says Lakshmi Narayanan, Cognizant's Vice Chairman. "But we decided that we will be known for our customer centricity."

At that time, large corporations in the US and Europe needed little pampering to outsource to India, which promised 40 to 60 per cent savings. Such cosseting, potential investors were told, would predicate Cognizant's business model on operating margins in the 18 to 20 per cent range. For context, Infosys reported 26 per cent earnings before interest, tax, depreciation and amortisation, or EBITDA, in 1998/99; two years later, it rose to a peak of 39 per cent as business fixing the Y2K bug poured in.

A dozen years on, Cognizant has overtaken Bangalore's Wipro to the Number three rank by revenues among IT service firms operating from India. Infosys, ranked second, is next in its sights. For now, there is a considerable gap. Market guidance estimates released by Infosys put its revenues for 2011/12 at up to $7.25 billion; Cognizant has forecast it will close revenues at $6.06 billion in the year to December 2011.

But this could change dramatically. By the end of the first quarter of 2015, Cognizant is likely to overtake Infosys, on a quarterly basis, according to various estimates. "With +8.3 per cent quarter-on-quarter dollar revenue growth in Q2 2011, Cognizant delivered a strong outperformance over its guidance (+5.7 per cent q/q) and continued its outperformance over Indian IT peers," Bhavin Shah and Jaykumar Doshi, analysts with Equirus Securities, wrote in a report in August. This could change if Infosys makes a big

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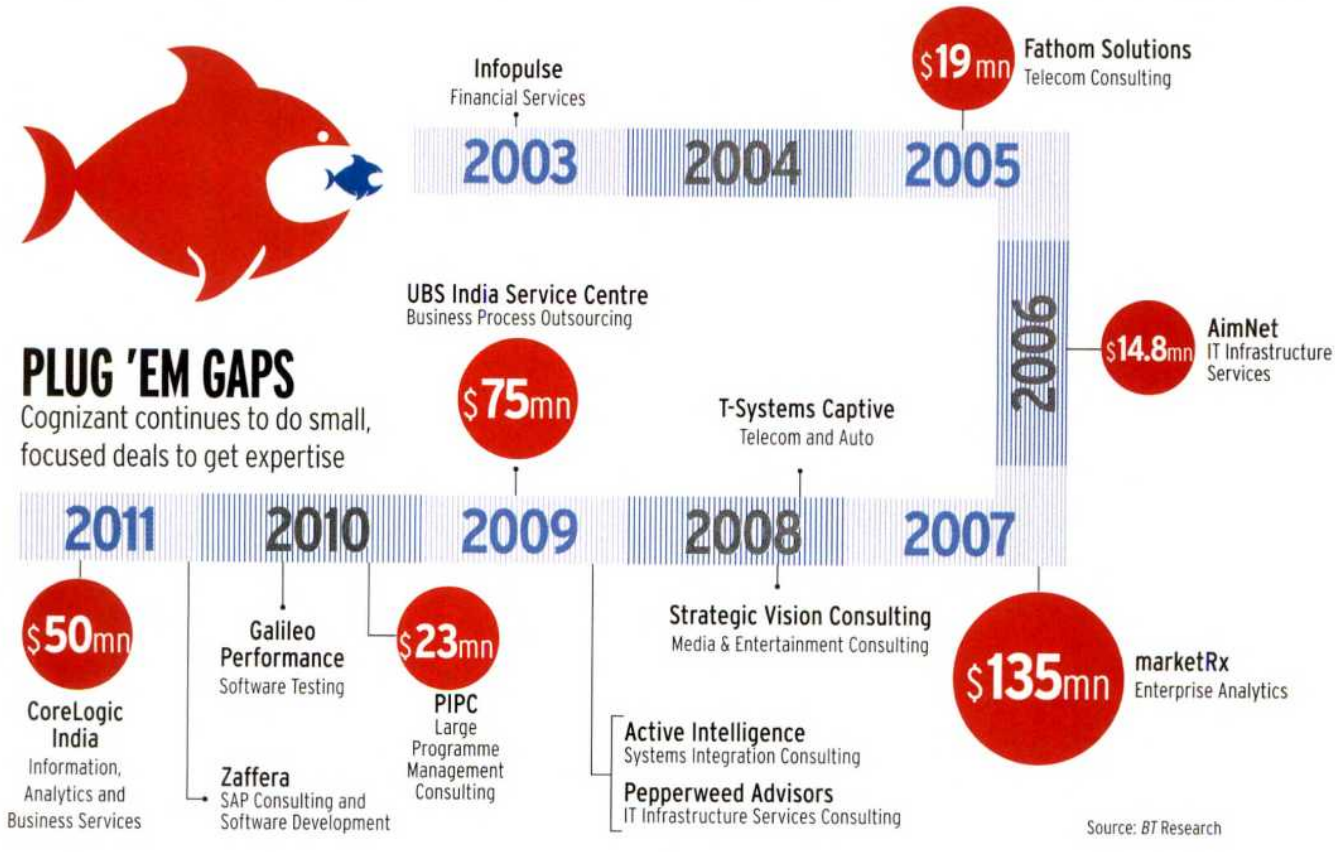


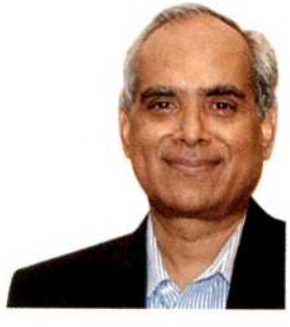
acquisition but the distance Cognizant has travelled is evident: until 2008, Infosys led it by nearly half a billion dollars in quarterly revenues.

"The New Normal"

The Cognizant saga goes beyond overtaking Wipro or Infosys, or perhaps even market leader Tata Consultancy Services, or TCS. The story is how a company less than 18 years old is disrupting a $60-billion business of delivering IT services from India. It signed up 283 new client engagements in the four quarters to June 2011, compared with 128 for TCS, Infosys's 127, Wipro's 182, and 222 for HCL Technologies. In the same period, Cognizant's revenues grew 34.4 per cent versus Infosys's 23 per cent and Wipro's 17 per cent.

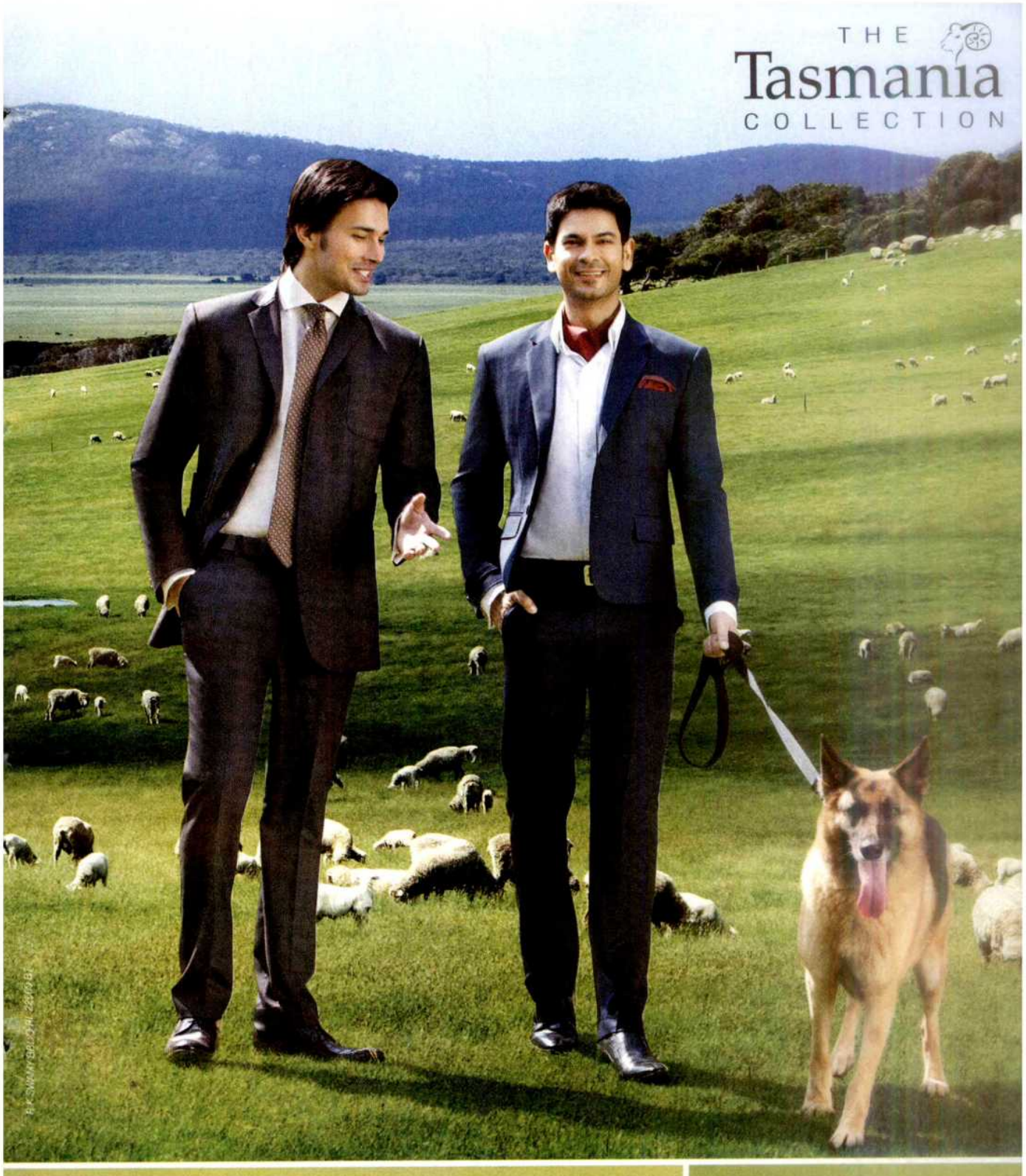
At the centre of the disruption Cognizant is causing lies its selling, general and administration, or SG&A, expenses, which relate to sales, customer service and marketing. In each of the last three years, the company has spent between 21 and 23 per cent of its revenue on the SG&A count, a percentage share that is double that of some rivals'. President and CEO D'Souza traces this to Cognizant's 'two-in-a-box' model of service delivery – one market-facing person deals with the client and a back-end professional ensures delivery of services. "We have 300 to 400 clients who give the vast majority of our revenues," he explains. "We have 700 to 800 account managers dedicated to our clients on a day-to-day basis."

Mjunction, a Kolkata metal trading firm, started talking to Cognizant in February 2008, when it planned to launch its first e-commerce website, Straightline.in. Amit Khan, who heads IT at mjunction, says a senior Cognizant executive interacted with mjunction's business heads from the very beginning and, at the solution end, another executive, who had run e-commerce projects, was deputed to the Kolkata pitch. Cognizant won the deal beating NIIT Technologies and Sapient. The tech services vendor has also aggressively built its presence with clients such as AstraZeneca, JPMorgan Chase and Sears at the cost



"We had only one customer and our focus was only technology and how to deliver quality"

Lakshmi Narayanan
Vice Chairman, Cognizant



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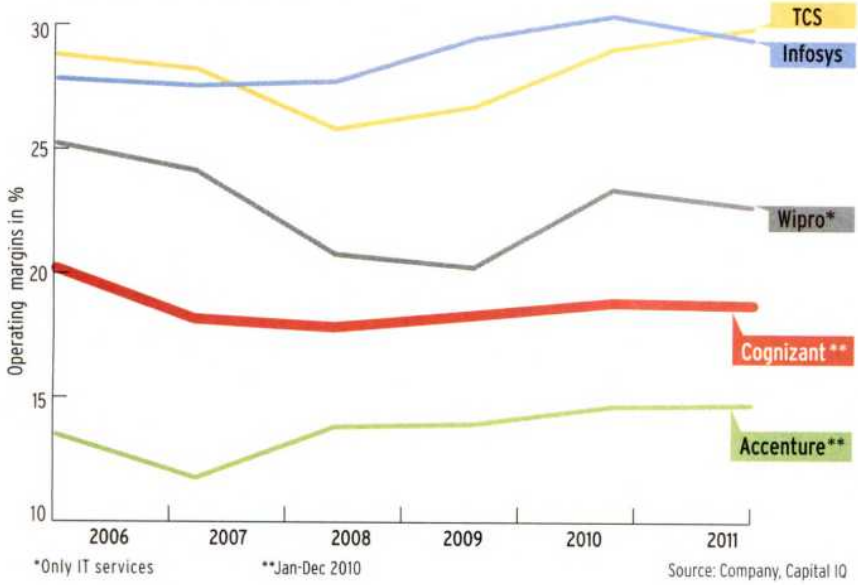

*Only IT services **Jan-Dec 2010 Source: Company, Capital IQ

"At the end of the downturn, the two banks (caught in the 2008 financial collapse) came out like powerhouses"

R. Chandrasekaran
President & MD, Global Delivery, Cognizant

of rivals, say industry sources, but details are not available.

Industry veteran Subhash Dhar calls Cognizant's 18 to 20 per cent EBITDA margin "the new normal". "If somebody is growing revenues at 10 percentage points less EBITDA than Infosys, that's where the growth is," says Dhar, who until June was a Senior Vice President and Head (Innovations) at Infosys. He believes software services delivered from India will move to the lower margin bracket unless companies innovate.

At Cognizant, the prevailing view is one of déjà vu. D'Souza describes investors' acceptance of his company's lower operating margins as a privilege. "And in return for that privilege, what we deliver back to investors is faster growth than the peer set," he says in a video interview from his New Jersey home (see his interview on page 57). In the last 10 years, the company has grown revenues more than 27 times starting at $178 million and ending 2010 at $4.6 billion, data compiled from the S&P Capital IQ database shows. Market capitalisation of the company kept pace, expanding 28 times over the period – the biggest gain in the last three years. Today, Cognizant's price-earnings ratio is 23.68 versus 19.85 of Infosys or Wipro's 15.38.

Even in the aftermath of the US recession following the September 2008 collapse of investment bank Lehman Brothers, Cognizant was one of the few IT companies whose growth rate stayed in double digits. While most other companies either contracted or grew in single digits in 2009/10, Cognizant expanded 16 per cent in 2009. The reason: the others had ruthlessly cut costs in the second half of 2008 and first half of 2009 to protect margins. Cognizant kept investing in domain expertise in its new service lines such as consulting, BPO and remote infrastructure management services. It has over 2,800 MBAs working on consulting assignments – four times the number at Infosys's consulting division. "Over the last three years we have doubled our investments," says D'Souza; Cognizant is investing $500 million to expand office space in India.

The Melting Pot

Cognizant straddles India and the countries of its clients more effectively than its rivals. It runs over 7,500 client projects in 40 countries, in nine of which it has its own offices. About a quarter of its 118,000-strong workforce is overseas, most of them in the US and Europe; though HCL Tech has a higher share thanks to its acquisition of AXON in the UK.

D'Souza, who looks boyish even at 43, is in many ways a symbol of the cultural hotspot that Cognizant is. The son of an Indian Foreign Service officer, he was born in Nairobi,

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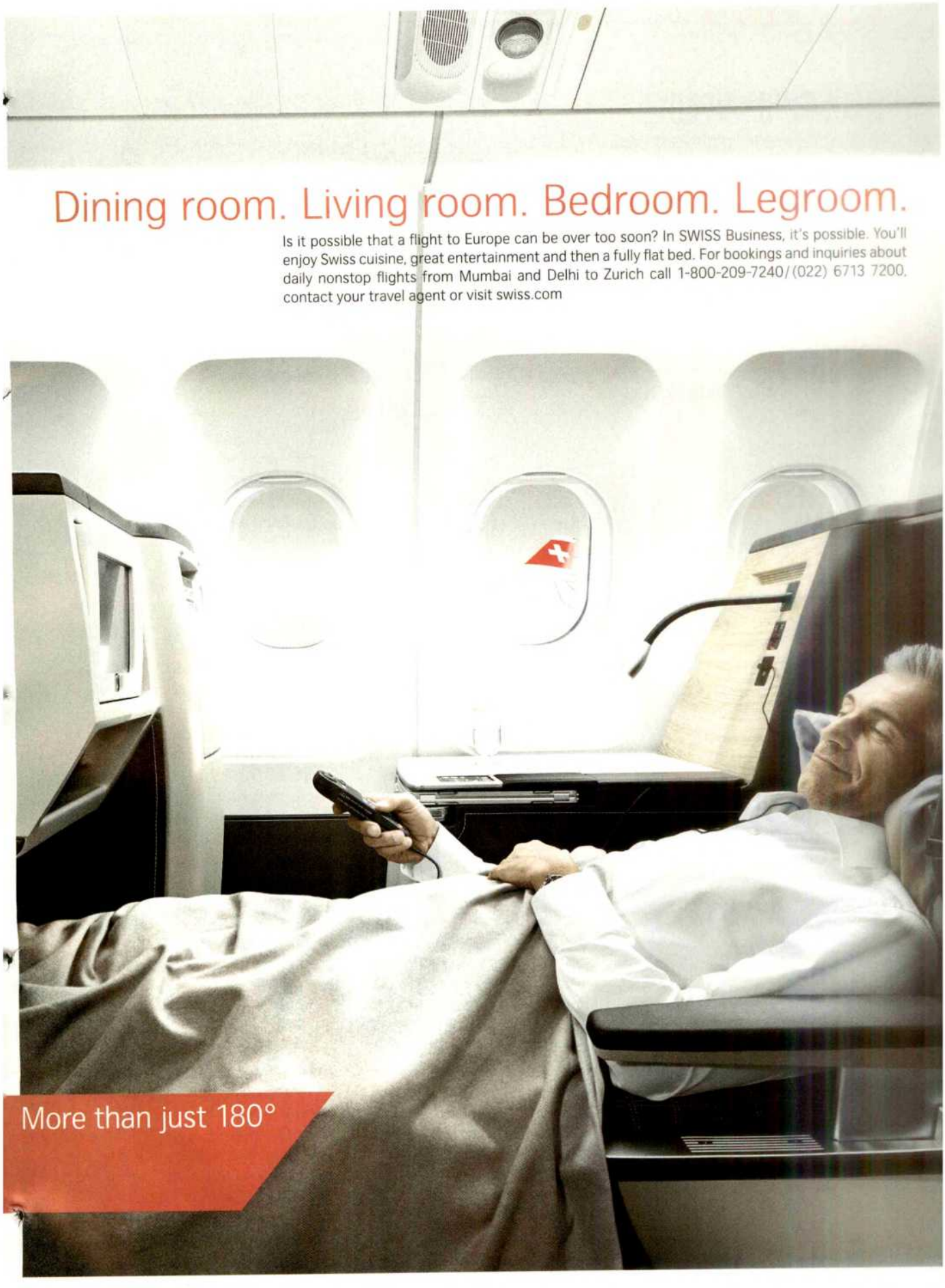

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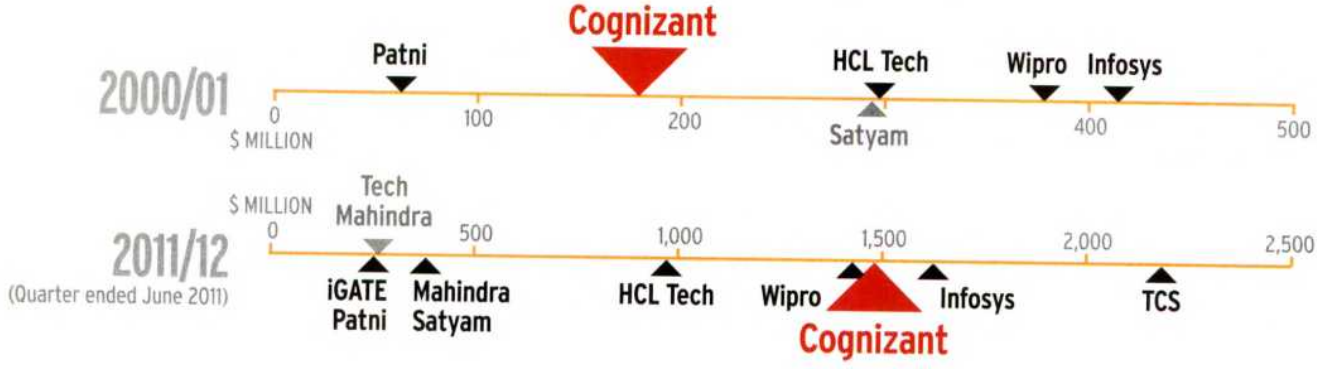

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"He (D'Souza) was a hardworking and ambitious guy...; there were no timings for him"

Srini Raju
Chairman, iLabs

Kenya. Picked by US magazine *BusinessWeek* among the world's most successful immigrants, he studied in seven schools in Panama, Zaire, New Delhi, New York, Trinidad, Hong Kong and Pittsburgh, before graduating from the University of East Asia, Macau. His first job as a student was as a clerk at a Hong Kong branch of Indian Overseas Bank after which he headed to the Carnegie Mellon University in Pittsburgh, US, for a management degree.

D&B hired D'Souza in 1990 from Carnegie Mellon's Tepper School of Business for a leadership programme designed to give conglomerate exposure – the ratings company had in its fold businesses that today are AC Nielsen, Moody's and Gartner – to its managers. After four years with D&B in Germany, the US and India, the 26-year-old headed to Chennai when a joint venture of his employer asked for a hand to run sales.

"They randomly gave me Francisco," recalls Srini Raju, the first CEO of D&B Satyam Software, the 76:24 venture between D&B and the erstwhile Satyam Computer Services. "He was a good mix of West and India. He was a hardworking and ambitious guy even then; there were no timings for him." That hasn't changed much: when *Business Today*'s second interview with D'Souza started at 9.30 a.m. local time in New Jersey on a recent Friday, he had already done four client calls and had another scheduled in an hour.

D'Souza is on the road 18 days a month. "I used to travel quite often to meet clients, but Frank travels much more," Vice Chairman Narayanan told this reporter in an earlier interview, referring to D'Souza. The pace of D'Souza and his top team is matched by how shrewdly the company invests in relationships. During the 2008/09 downturn, for instance, it had 45 per cent of revenues coming from financial services. President and Managing Director, Global Delivery, R. Chandrasekaran remembers that two such clients were in bad shape, but Cognizant chose not to focus on payments. "At the end of the downturn these two came out like powerhouses."

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Read interviews with Gordon Coburn & Malcolm Frank at
www.businesstoday.in/coburn
www.businesstoday.in/frank

since most client sign-ups today, after three decades of outsourcing, are renewal contracts or an extension of a service into another part of the customer organisation. Still, Cognizant believes there is fresh ground to be broken. To ensure that retailers are not affected by a technology blackout in peak season is an example. A solution, branded IntelliPeak, simulates holiday sales – say around Thanksgiving or Christmas – and identifies weak links in the retailer's tech infrastructure. Sixteen retail chains have signed up for it since 2010.

Such solutions are good to have but what will really move the needle, D'Souza knows, will be big bets on technologies which are sweeping the world of business. He has thrown the brute strength of Cognizant behind what he calls the four forces driving the 'Future of Work', a framework crafted by the company's Chief Strategy Officer, Malcolm Frank. These are accelerating globalisation; virtualisation; a millennial mindset (which manifests in mobility, social networks and the millennial population); and cloud computing. "From 2009 to 2020 it is estimated that data is going to grow 34 times. How does a company cope?" asks Frank, suggesting Cognizant has the answer.

A hint of how Cognizant's luck is likely to play out is seen from the eyes of its competition. Customer understanding, acknowledges Sean Narayanan, Chief Delivery Officer of iGATE, is Cognizant's forte. "When I joined iGATE from Cognizant, I used to think that growing at 40 per cent is easy," he says, indicating how well-oiled the sales engine at his former employer is.

For now, D'Souza seems to have figured it out. To be sure, Cognizant is still dwarfed by the likes of IBM and Accenture – and even lags TCS by some distance – but for now it is leading the growth pack in IT outsourcing. ◆

ADDITIONAL REPORTING BY JOSEY PULIYENTHURUTHEL, RESEARCH INPUTS BY GAUTAM AGGARWAL

"We do a few things very well"

Four-and-a-half years ago, when **FRANCISCO D'SOUZA** *was appointed CEO at Cognizant Technology Solutions, he was, perhaps, the youngest management professional holding that position. Doubts were raised about his ability to deliver. Cognizant was a $1.4-billion company then. It is expected to close revenues this year at over $6 billion. In two interviews, conducted on video and phone calls, D'Souza explained the Cognizant model in fine detail. Edited excerpts:*

Domain knowledge is not static, you have to drive increasingly deeper level domain knowledge

What are the differentiators that you bring before clients?

Top of the list is industry knowledge. Domain knowledge is not static, you have to drive increasingly deeper level domain knowledge. We have people who are experts on how our clients' businesses operate. Ten years ago we were very good technologists; today there is a tremendous amount of effort to understand what the business problem is.

The second differentiator is the discipline we have in our organisation in terms of focus and customer centricity. This is important because we focus on doing a small number of things and doing them very well. I am often asked about the footprint of Cognizant. People will say, hey, you tend to have small industries that you serve, you tend to have a smaller geographic footprint than your peers. I understand the risk of that from a 50,000 foot perspective, but those are harsher choices. Because in our business we believe that we live and die by our reputation.

Is your EBITDA the new normal?

To me, the difference has never been strikingly different pricing. There are two types on companies really. There are companies like ours who are maximising growth and there are companies who are maximising margins. From the time we went public, we told our investors that we view the opportunity to do business at a low EBITDA as a privilege. The kind of investor we attract is a growth-oriented one. Since the pricing is the same, anything above the EBITDA translates into a greater ability to invest.

Where have you invested?

We have our traditional business which has been good for us and those are businesses we have invested in extensively. And we thought of taking it to new areas because core services like application maintenance, development and testing are underpenetrated when you look round the world. We moved to continental Europe and then to building markets in Middle East and Egypt. The second was a set of new services which needed some push to accelerate. So in the BPO business we did a few acquisitions. The other focus was on IT infrastructure and management consulting.

How much of your business is influenced by your consultancy practice?

The indirect part is very hard to measure. Our 2,800 consultants broadly represent four to five per cent of our revenues. Five years ago, the contribution was fairly negligible. But that five per cent is just the direct impact they are having. For every dollar that our consultants make,

People do a SAP implementation and call it consulting. We only look at management consulting

they are probably influencing $5 to $10 of additional revenues. It is really easy to call everything consulting. People do a SAP implementation and call it consulting. We take a narrower definition of consulting; we only look at management consulting. ◆

Full transcript of the interview at
www.businesstoday.in/d'souza

Sticky & Black, Inc.

The corporate sector's mood has deteriorated sharply. It feels there is little hope of the government or RBI's policies improving the gloomy economic scenario.

By PUJA MEHRA

Doing business even in a thriving market can be frustrating – if inflation is sticky.

Bangalore-based CS aerotherm manufactures ovens and other equipment for the fast-growing baking industry, and counts giants such as Britannia Industries, McDonald's and Amul among its clients. The ₹25-crore company controls a fifth of the Indian market for such equipment. Demand for ovens is "growing brilliantly," says Prasanth Jairam, CS aerotherm's export manager, who also handles the domestic market.

But in the last couple of quarters, inflation has taken the rise out of the oven-maker's profit margins. Prices of electrical parts it uses have been increasing by 10 per cent every four to six months.

At best, says Jairam, he can increase selling prices by two per cent for every 10 per cent increase in input prices. But every time the company marks up prices, it loses some small customers – who account for up to 80 per cent of its clients and are the force behind the food industry's growth. "There is no way we can retain these clients," says Jairam. "We are feeding them to our competitors."

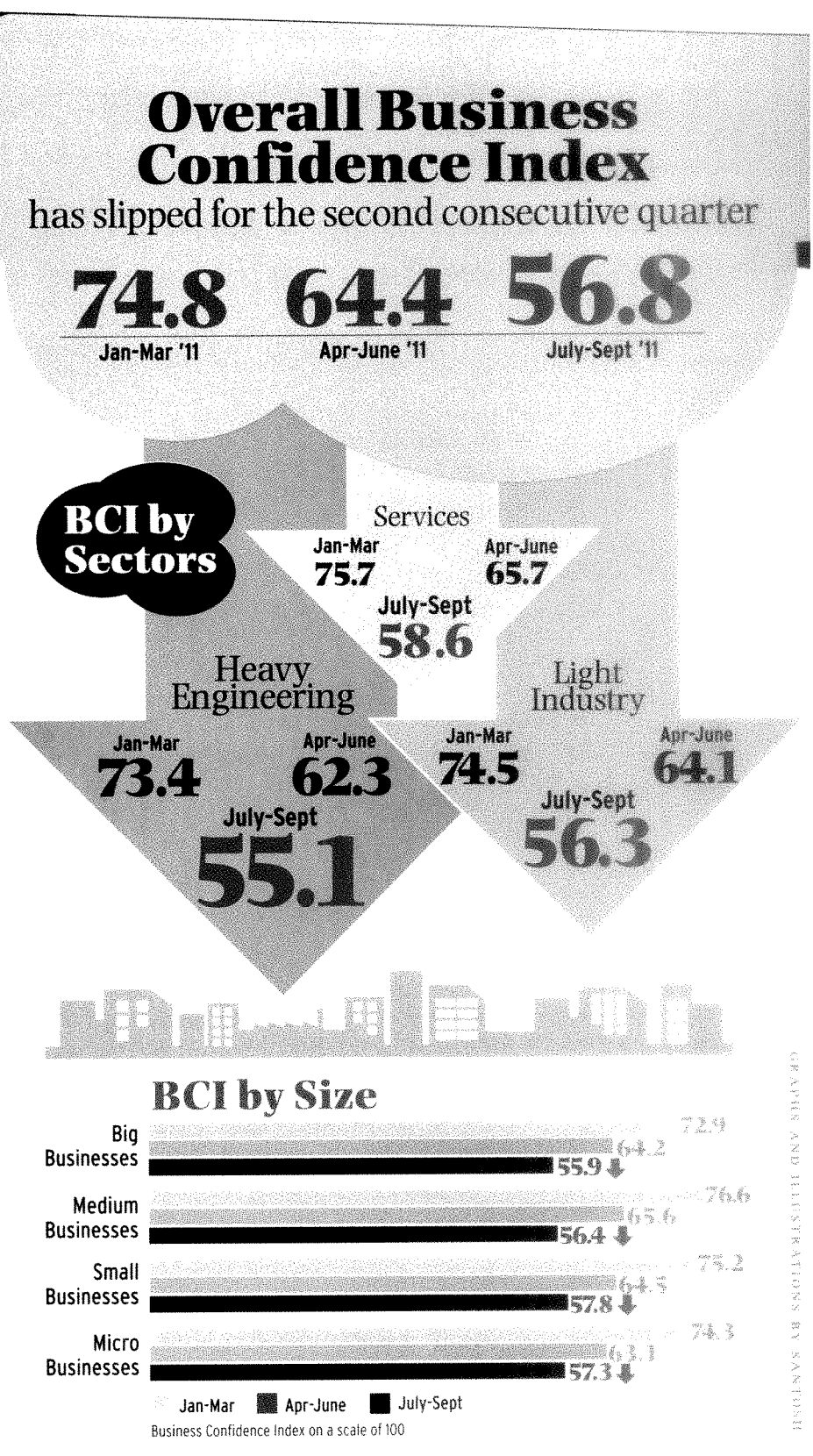
Even larger companies are feeling hot and sticky. Haryana-based Hero

MotoCorp, India's largest manufacturer of two-wheelers, had increased the prices of its products five times during 2009/10 but has not marked up any model in the current financial year. Why? "Within 10 days of our price hikes, input prices would go up again," says Ravi Sud, Vice President and Chief Financial Officer, or CFO, of the cash-rich company, which accounts for nearly half of India's market. "It is an unending chase," he says.

Headline inflation was over nine per cent in 11 of the last 12 months (it was 8.2 per cent in November 2010). "There have been spikes now and then, but I have not seen such sustained, elevated inflation in the last decade," says S. Raghunathan, CFO of Ayurveda and health care company Dabur India.

Inflation in the basket of commodities relevant to Dabur is growing at 10 to 12 per cent. The company has raised its product prices twice since April 2011 on an average by about 3.5 to 4.5 per cent. Raghunathan says the mark-ups – and reduced consumer spending power caused by inflation – have put volumes under pressure, although he declines to say by how much.

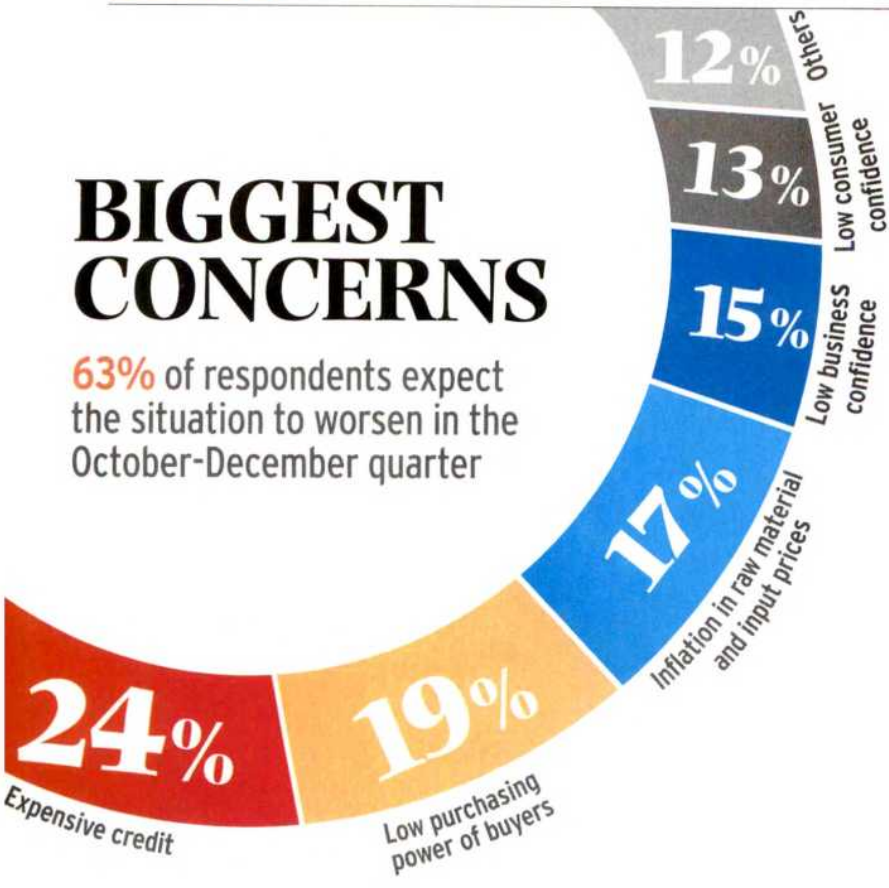
Round 3 of the *Business Today*-C-*fore* Business Confidence Index shows that sentiment has weakened consid-



GRAPHS AND ILLUSTRATIONS BY ANAND

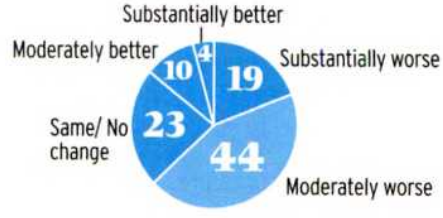
BIGGEST CONCERNS

63% of respondents expect the situation to worsen in the October-December quarter



The Worsening Global

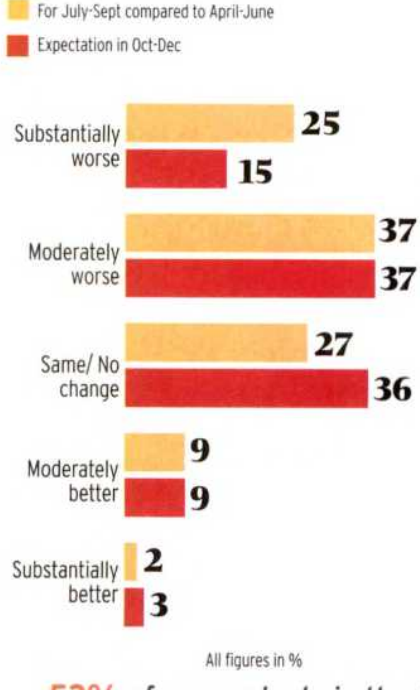
Cost of external finance in Oct-Dec will be:



33% of respondents fear the US and Japan downgrades could affect their businesses in the next few months

RBI Policies Are Raising Borrowing Costs, Dampening Demand and

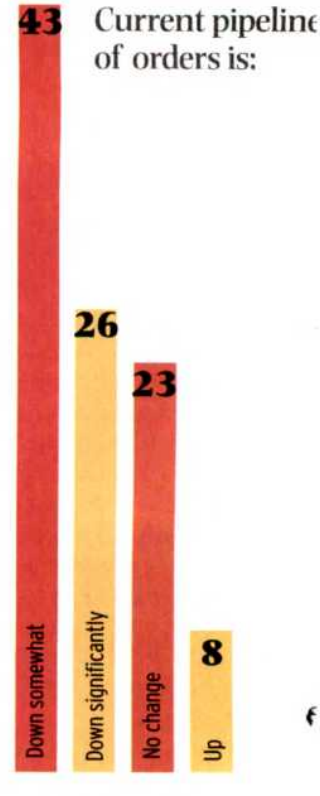
Availability of business finance is:



All figures in %

Has demand declined?

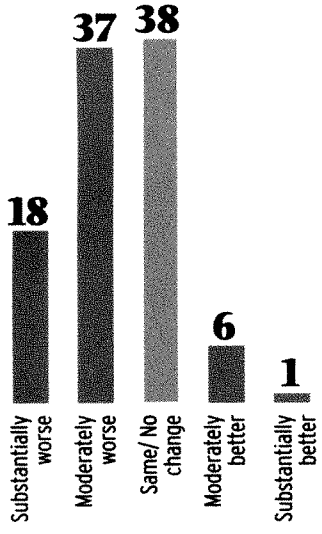
Current pipeline of orders is:



53% of respondents in the April-June quarter survey had said demand was not declining

Economy

Exports pick-up in Oct-Dec will be:



All figures in %

Reducing Pricing Power

Sales pick-up in Oct-Dec will be:

Substantially worse	24
Moderately worse	**44**
Same/ No change	23
Moderately better	6
Substantially better	3

Selling prices will be:

Substantially worse	16
Moderately worse	**39**
Same/ No change	27
Moderately better	13
Substantially better	5

"Some of our vendors have put their expansion plans on hold"

Ravi Sud
VP and CFO, Hero MotoCorp

erably. The Business Confidence Index, or BCI, has fallen for the second consecutive quarter – to 56.8 in July-September from 64.4 in April-June.

Respondents to the survey – 500 CEOs and CFOs across 12 cities – do not expect the business environment to improve any time soon. In fact, they expect it to worsen in the next quarter. They have already cut back on production and slowed down on investments. They have lost pricing power and their profit margins are thinner. They also expect exports to worsen and borrowing costs to rise, without any relief from input inflation. For the first time since it was instituted, the survey shows companies plan to go slow on hiring.

"Because of fluctuations in global markets, a lot of financial institutions like banks have put their expansion plans on hold," confirms Sunil Goyal, Director of executive search firm Global Hunt. Hiring in the financial services sector, invariably the first to be hit when the stock markets go down, dropped by 25 to 30 per cent in the July to September quarter, he says. He expects it will fall further in the next quarter. "We are seeing hiring limited to replacements... and even complete freezes," adds Goyal.

Respondents do not expect even a single factor to turn positive. The pessimism is largely owing to the continuing policy paralysis. As many as 61 per cent of the respondents said they had no faith in the central bank's policies and projections on inflation. A still higher number, 65 per cent, gave the thumbs down to the United Progressive Alliance government's policies.

Finance Secretary R.S. Gujral, however, dismissed the despondency. "The government has announced several policies such as easier norms for external commercial borrowings, or ECBs, that should boost business sentiment," Gujral told *Business Today*. In the latest such move, the government has allowed infrastructure companies to raise loans in the Chinese currency renminbi.

To control inflation, RBI has raised interest rates 12 times since March 2010. This has cooled the economy: GDP growth in the last two quarters dropped below eight per cent.

As the *BT-C-fore* survey shows, RBI has also succeeded in reducing the pricing power companies were enjoying.

Industrial output has been extremely volatile, but it is apparent that the growth momentum has been declining since March. Factory output grew a modest 3.3 per cent in July, the latest month for which data is available, mainly because of the deceleration in the interest rate-sensitive capital goods segment.

Predictably, the polled CEOs and CFOs picked cost of credit as the biggest concern, ahead of input price inflation.

"Better handling of the shock by policymakers can still prevent a cyclical downturn"

Shankar Raman
Group CFO, L&T

Despite robust demand, most companies have put investment plans on hold as they wait to see if the interest rates have peaked. "This situation is very similar to that in 2008 when interest rates were very high and liquidity was acutely short so capacity creation didn't happen," says Hero MotoCorp's Sud. "And, then, when demand exploded in 2009/10, capacity was short."

As a cash-rich company, Hero MotoCorp itself is less susceptible to the interest rates cycle, but Sud says it is getting affected indirectly because it depends on some 250 vendors. "Some of our vendors have put their expansion plans on hold either because of the weak investment sentiment or because they have no recourse to money," says Sud. "We will be impacted if, say, six months later, demand starts growing very fast."

Capital-intensive businesses are feeling the direct impact of high interest rates. Anil Ambani, Chairman of the Anil Dhirubhai Ambani Group, and Akhil Gupta, Deputy Group CEO and Managing Director of Bharti Enterprises, told global investors at the CLSA Investor Forum 2011 held in Hong Kong that they "wish to get the net debt/EBITDA... [down] before undertaking further projects," according to a note released by the global brokerage house on September 27.

Shankar Raman, Group CFO and board member at India's largest engineering company Larsen & Toubro, or L&T, reckons that the number of capital-intensive projects up for grabs is down by about a third since January 2011.

"The motivation to take a decision and move on to execution is not there," says Raman. "The concern is that finances might dry up midway or a project may become commercially unviable or whether it is worth waiting for the cost of funds to come off a bit."

Fewer projects mean increased competitive pressure and thus a lower win rate. So, if L&T was bagging, say, five projects earlier, it is winning only three now. Being in a long-gestation industry, a thinner pipeline means L&T's revenues will be affected a couple of years from now.

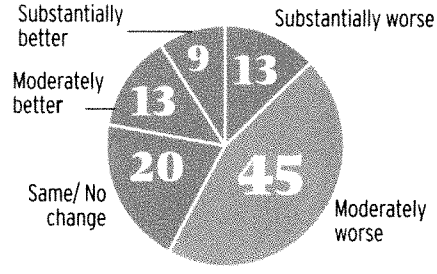
When will the outlook brighten? Respondents to the survey are not betting on quick relief. If projects remain suspended and profit margins get squeezed for a few more quarters, **the danger is that what should have been just an economic shock would blow up into a cyclical downtrend.**

"Better handling of the shock by policymakers can still prevent a cyclical downturn," says Raman. "Or in another two quarters, the economy will settle down into a new, lower norm – we will perhaps become a six-per cent economy!"◆

ADDITIONAL REPORTING BY ANUMEHA CHATURVEDI AND TASLIMA KHAN

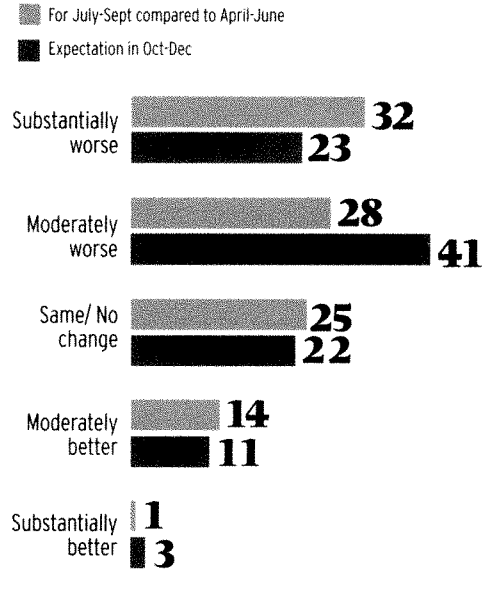
No Respite Expected from Inflation

Raw material costs in Oct-Dec will be:



61% of respondents do not have confidence in RBI's policies and projections

How do you rate the overall economic conditions?

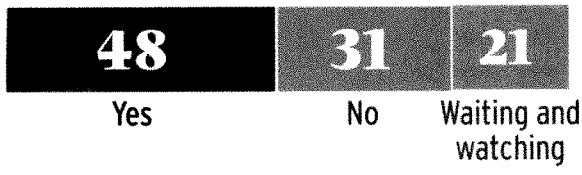


65% of respondents don't have confidence in the government's policies and projections

All figures in %

Investments, Production, Hiring, and Profit Margins

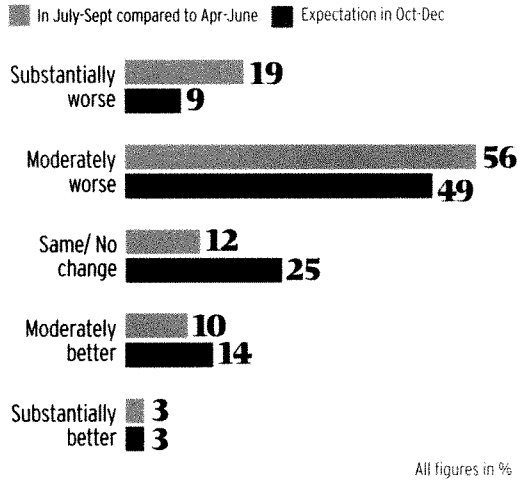
Have you put off or dropped expansion projects, cut capital spending?



Did you cut production in July-Sept?

No	**31**
Yes, by 0-20%	29
By 20-40%	15
By more than 40%	5
Have not so far but planning to	18
Did so in the past few months but will not anymore	2

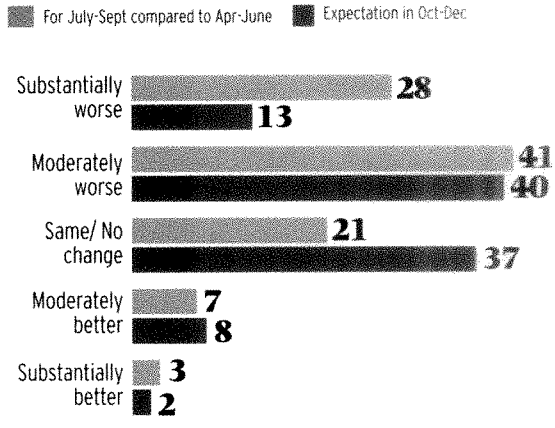
How do you rate hiring conditions?



All figures in %

41% of respondents feel GDP growth can still cross 8% in the next two to three years

How do you rate profit margins?



52% of respondents feel the Anna Hazare movement and political scandals do not affect business

METHODOLOGY

Market research agency *C-fore* conducted the survey for the July to September 2011 quarter. A structured questionnaire was administered to CEOs/CFOs of companies. In all, 500 CEOs/CFOs representing various industries in terms of sector and size were interviewed. The survey was conducted in 12 cities – Delhi, Mumbai, Chennai, Hyderabad, Bangalore, Kolkata, Chandigarh, Lucknow, Nagpur, Kochi, Visakhapatnam and Bhubaneswar. The companies were segmented based on their turnover as well as products. Those with a turnover of over ₹500 crore have been termed as big, those between ₹100 crore and ₹500 crore as medium, those with less than ₹100 crore as small and those with less than ₹5 crore as micro businesses. The responses to 22 questions pertaining to the present business climate and also to their expectations were collated. The average confidence level was calculated on a five-point scale, which was further normalised on a 100-point scale. In addition, responses to 17 questions were sought to gauge the mood on issues relevant during the July to September 2011 quarter: for instance, the anti-corruption Anna Hazare movement and the downgrade of the United States credit rating.

Up, Up... and Down

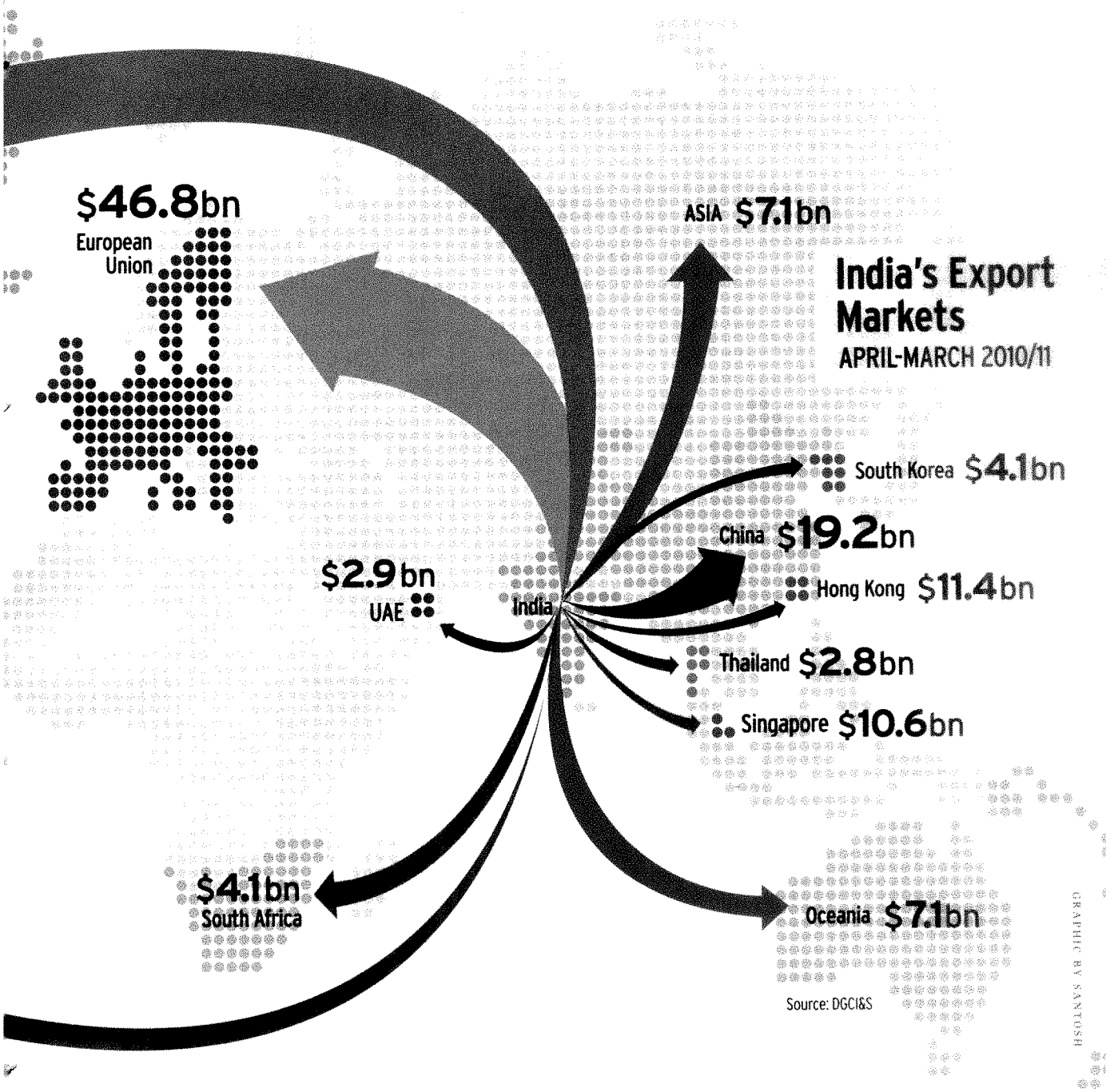
Export data is currently spectacular, but a slowdown looms ahead. By SHWETA PUNJ

Rakesh Shah, an exporter of engineering products, has been on a roll the last two years. His company, Nipha Enterprises reported a 30 per cent growth in revenues in 2010/11 from the year before. This financial year, his order book was full up till September.

But, starting October, he is uncertain about taking further orders, and is only making short-term commitments. He fears a repeat of the 2008 slowdown. "Then, I barely covered a part of my variable cost and worked with a 60 per cent workforce... That's what I am preparing for now," says Shah, a former chairman of the Engineering Export Promotion Council, or EEPC, an exports trade body.

Despite a healthy start – 44 per cent from the year-ago period – in the first five months of this financial year, Kolkata-based Shah expects Nipha's exports to end 2011/12 with just 25 per cent growth from last year.

Hang on. Exports are booming in India, aren't they? It is the brightest of India's macroeconomic indicators today, expanding at a record 44 per cent year-on-year for August, to touch $24 billion, or nearly ₹1.2 trillion (one trillion equals 100,000 crore). As a percentage of gross domestic product, or GDP, exports grew to 22 per cent in 2010/11 from 14



per cent a decade ago. For the first time ever, exports crossed the $250 billion mark last fiscal year.

Against this, other economic indicators are dismal. The International Monetary Fund, or IMF, recently scaled down its estimates for India's GDP growth in the current year to 7.8 per cent. In July, the government announced a growth in factory output of 3.3 per cent, the lowest in 21 months. And inflation is hovering near double digits.

Still, voices like that of Shah are growing. The trend has not been captured in headline numbers yet, but almost all exporters, especially the small and medium ones who form the backbone of Indian exports, are scrambling for cover.

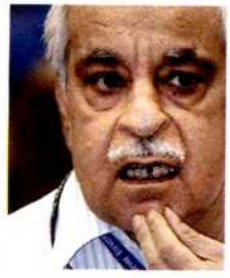
Rahul Khullar, the straight-talking Union Commerce Secretary, advises *Business Today* "not to fall for the crocodile tears" of most exporters. "They are always crying," he says, pointing to a string of numbers.

Exports have grown from $126 billion in 2006/07 to $254 billion last fiscal year. In January to March 2011, Indian exports grew 62 per cent – the fastest export growth among major economies and nearly double the expansion in China's exports.

Yet the robust data cloaks growing anxiety within the government about exports. India's current account deficit, essentially the excess of imports over exports, reached

I don't go to the US, London, Canada anymore. I go to Bogota, Rio, Sao Paulo, Mexico City"

Rahul Khullar,
Union Commerce Secretary



"The world has become uncertain. We must be vigilant and assist our exporters"

Jyotiraditya Scindia,
MoS, Commerce & Industry

$14.1 billion for the April-June quarter, higher by 18 per cent over the previous year. A look at sequential, or quarter-on-quarter data, reveals what annual comparisons hide. In the April-June quarter, Indian exports were $128 billion, around the same as they were in the preceding quarter.

Global economic woes may have finally begun to shadow the best performing of India's macroeconomic indicators.

Winter of Discontent

BT spoke to more than 50 small and medium exporters, industry associations and policymakers – to find that almost all of them were fatalistically waiting to be hit hard by the global slowdown.

In the industrial belt of Noida in the National Capital Region, stands Jade Filagree. Brightly sequinned and embroidered dresses line the white walls of its 12,000 square feet factory, in which 100-odd workers cut, sew and embroider dresses and blouses for buyers in a host of countries around the world. Exports from units such as Jade Filagree make up nine per cent of India's exports, amounting to $23.3 billion.

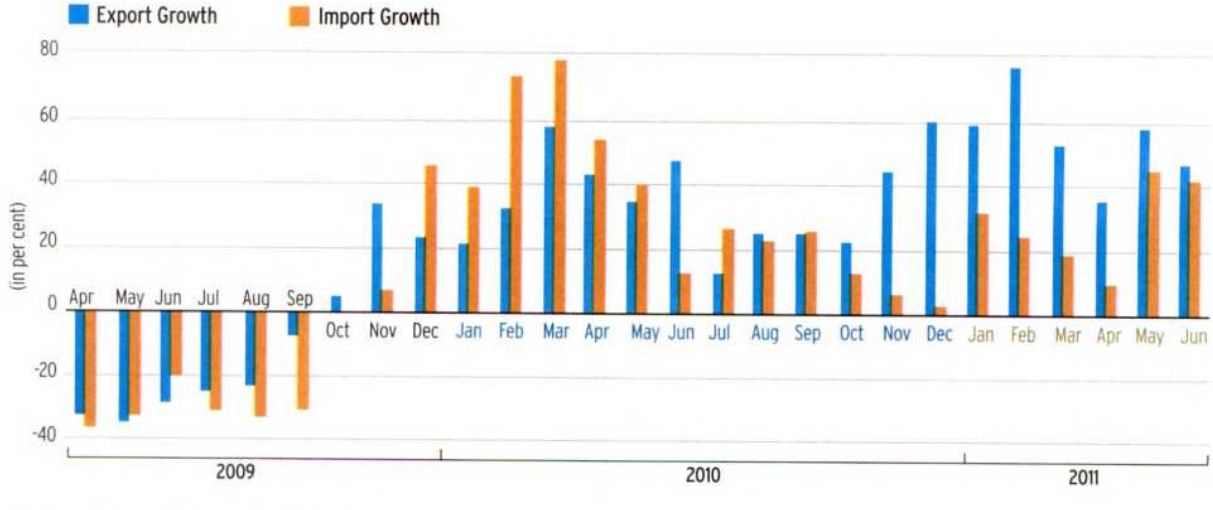
Harmeet Bajaj, who set up Jade Filagree two decades ago, is stoic. "India is still a low-cost manufacturing base," she says. "We are still doing $1 to $5 pieces; $20-$25 pieces are unheard of." And, not just are profits eroding as costs spiral up, her outlook for revenues is not rosy. The competition is growing: apart from China, East Europe is also becoming a rival, she says. Italy, which had lost business due to high costs, is making a comeback. Turkey and Romania have emerged as manufacturing bases for high cost and quality products. "India has not been able to do that," Bajaj says, implying India should not expect much growth in textile exports.

Bajaj, who contemplated shutting shop "quite seriously" during the 2008 crisis, is now looking at the domestic market, as well as at expanding her business in new markets overseas – West Asia, Europe, and Australia. She has to since clients in traditional markets are not willing to shell out more money. "A client who was paying $50 in 2001 still wants the same product for $50," she says.

If the Commerce Secretary's travel itinerary of the last year and a half is anything to go by, he has seen this coming. "I have a simple agenda: I am looking at establishing markets in Latin America, Africa, the ASEAN

Exports are growing faster than imports...

...But are two-thirds of imports in value terms



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SRM University, in recognition of its excellence in higher education and research, was ranked India's No.1 Multiple Streams University (Engineering and Medicine) in 2009 by The Education Times – GfK Mode Study, joining the league of IITs, NITs and AIMS.

And now, SRM has joined the league of world's best universities by securing the prestigious ABET accreditation in 2010.

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countries. I don't go to US, London, Canada any more. I go to Bogota, Rio, Sao Paulo, Mexico City," says Khullar, who has made 17 trips across the globe in the last 18 months to boost trade ties.

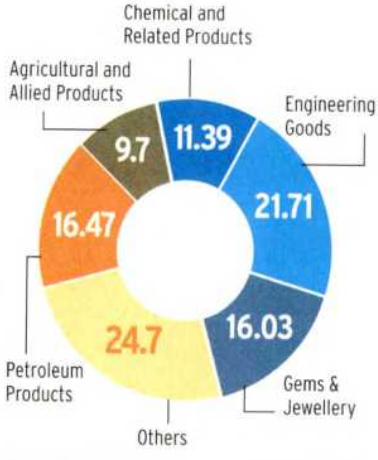
For Roop Narayan Sharma, owner of Shree R.N. Metals, whose factory is in rural Rajasthan, exporting this year is just out of the question. Sharma exports steel balls and castings to Britain, some African countries and Dubai. This year, he says, clients are not willing to make advance payments, without which it is near impossible to run his business. Input costs for most products have shot up – on an average, world commodity prices increased by 24 per cent in 2010/11, with metals leading energy and food.

Sharma hopes to make good with domestic clients, primarily government-owned companies.

That is bad news for India's external sector. R.N. Metals and other exporters of engineering products have been key drivers of the export story – engineering exports grew 81 per cent in 2010/11 to $68.8 billion.

India's Top Exports

Five sectors account for 75% of the total



Figures in per cent
April-March 2010/11

Source: DGCI&S

After engineering firms, oil refiners exporting petroleum products, and companies in the global value supply chain of gems and jewellery have provided the springboard for Indian exports.

There are some in the exporter community who are clear that India's exports are stalling. Ramu Deora, a veteran exporter, president of the Federation of Indian Exporters Organisations and younger brother of Congress member of Parliament, Murli Deora, expects the worst. "Till September, it was still tolerable but the trade figures with effect from October will witness an unimaginable slowdown," he says. Against $246 billion in 2010/11, his estimate for exports in 2011/12 is $280 billion.

Gautam Maini, Managing Director at Maini Precision Products, a maker of components for automotive and aerospace sectors, is hedging his bets from six years ago. "From 1982 to 2004, 90 per cent of our components were exported," he says. The company decided to move more aggressively into the premium end of the domestic market after the 2008 global crisis. Today, only half of Maini's business comes from exports.

If Maini is hedging his bets, there are others who have simply moved out of exports. It is not just because of the global slowdown: the domestic environment makes it difficult to

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Deepak Whorra of Whorra Enterprises is one such. He began exporting silver handicrafts three decades ago, finding markets in the us, East Europe and West Asia. But the crisis of 2008 convinced him to quit exports altogether. "Our products were not competitive because of too many taxes, no matter what they [government] say they will refund. One customer asked me: 'Are you exporting a product or taxes?'," he says. Infrastructure issues, hurdles in the interstate movement of goods, and multiple layers of taxes were other challenges. Most products attract excise duty, and the service tax levied at various stages is not refunded.

Slowdown-hit Buyers

Adding to these woes are sluggish economies in the West. "The global economy has entered a dangerous new phase," IMF's economic counsellor Olivier Blanchard said on September 20, before marking down the global growth forecast for 2011/12 to four per cent from the 4.5 per cent he had given five months before.

Exporters are feeling the pain of the slowdown. Sanjay Budhia, Managing Director of export house Patton International and Chairman of the Confederation of Indian Industry's national committee on exports and imports, says: "Orders are shrinking because of global economic problem."

Nearly half of Patton's turnover of around ₹450 crore comes from exports of electrical conduits, pipe fittings and precision fasteners. "I am working on single digit profits," says Budhia. "Today if I want to make a quotation, I am not sure what price to quote." His worry is the order book for 2012/13. (Orders for the current year were booked last year.) "What we are seeing is 10 to 15 per cent growth. It might not translate into value, because I have to bring my prices down," he adds.

Even Khullar admits he is not expecting too much. "This year, if we can do $135 billion of exports in the next seven months, and we close at $270 billion, I am happy," he says. That is single digit growth, after last year's 42 per cent rise.

Depreciating assets: Handicrafts have suffered due to poor branding

Power down?: Engineering exports grew 81 per cent in 2010/11 but is dealing with slowing demand

His boss and Minister of State for Commerce and Industry Jyotiraditya Scindia is more sanguine. "There is an opportunity when markets become cost sensitive – it can swing both ways. We must be vigilant and we must assist our exporters."

The impact of slowing exports is grim. A May 2011 commerce ministry strategy paper had highlighted the unsustainable nature of India's trade balance. If exports are not doubled in three years India could end up with a trade deficit of 10.5 to 11.5 per cent of GDP, which is deemed unsustainable.

As Khullar puts it: "The world is changing, if you don't wake up to this reality, you are dead." ◆

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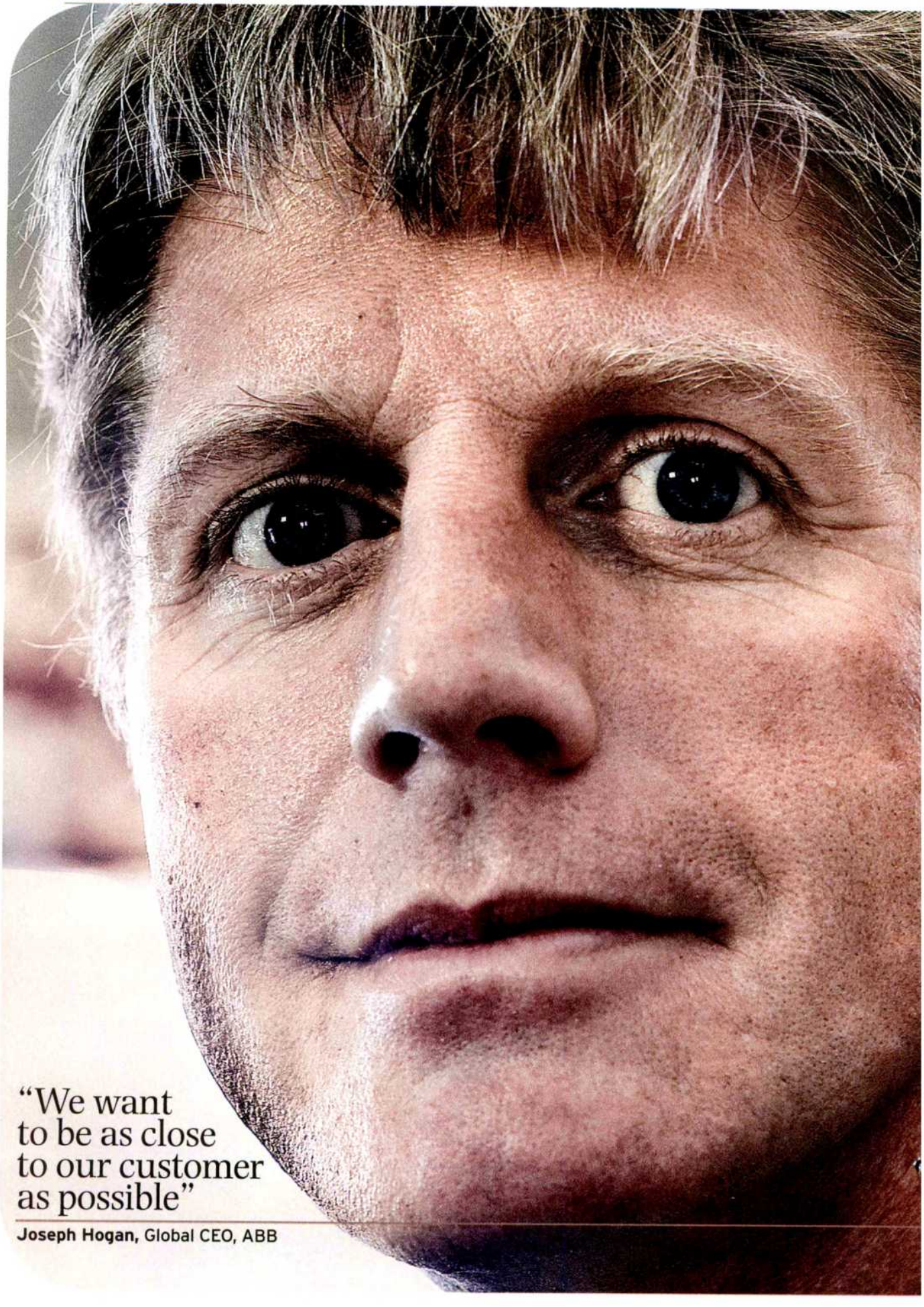
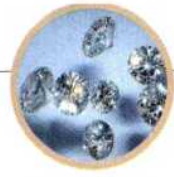


"We want to be as close to our customer as possible"

Joseph Hogan, Global CEO, ABB

ABB INNOVATIONS THAT CHANGED THE WORLD

High-voltage direct current system, 1950s



Synthetic diamonds, 1953

The first industrial robot, 1978

Fibre optic current sensor, 2004

Most powerful submarine cable, 2008

POWERING UP IN INDIA

ABB is pushing technology to India like never before with an eye on pumping up its $1.3 bn local sales.

By K.R. BALASUBRAMANYAM

A 220-kV substation of GMR Energy at Kakinada to transfer power from its barge-mounted power plant off the Andhra Pradesh coast posed a problem for the power developer. The installation would take up to six acres of space, which the company did not have. The answer to the problem came in a new technology that shoe-horned switchgear in a compact package called Plug and Switch System. PASS, as the system was called in short, could save 28 per cent on space, compared to conventional technology. "PASS is ideal for urban areas, where space is a problem," says Bazmi Husain, Country Manager and Managing Director of ABB India, which built the substation.

ABB India has buy-in from companies such as Tata Power. It has bought 25 PASS modules from ABB India to increase the capacity of its substations in Mumbai. PASS, pioneered by ABB India's Swiss-Swedish parent, ABB, costs two to 2.5 times what a conventional substation would. But it is quick to set up, easy to maintain, and can take additional feeders, says N. Venu, head of ABB India's power systems division.

The cost could go down in the coming years if ABB India's plans to have its Vadodara

"Sixty per cent of our global R&D in control systems happens here, up from zero per cent a decade ago"
Bazmi Husain, *Country Manager, ABB India*

plant making its own version of PASS takes off soon. Husain says this is part of Zurich-headquartered ABB's plan to transfer more knowledge and capabilities to its Indian subsidiary. "Sixty per cent of our global research and development in control systems happens in India, up from zero per cent a decade ago," he says.

ABB's Global Corporate Research Centre in Bangalore – its largest worldwide – alone accounts for 30 per cent of its R&D in process automation. The biggest investment that ABB's global $4-billion (nearly ₹20,000-crore) low-voltage products division is making this year is a new $24-million unit coming up in the southern city. It will make a range of products, including circuit breakers and surge protectors.

"Over the last four years, we have invested $250 million in India," says Husain. "But you cannot put a value to the enormous amount of knowledge ABB has transferred to India." The $32-billion ABB gets royalties from its Indian unit for technologies it transfers. Besides the R&D centres in Bangalore and Chennai, ABB India has 14 factories in five states, with specialities ranging from motors to wind generators to transformer insulation.

Umarak Mehta, the global head of ABB's low-voltage products division, says: "We will introduce about 10 product lines in the next 18 months, and aim for 30 per cent growth a year in India." In September, ABB India launched switchgear called SafeLink CB, designed and developed by ABB India in Nashik, Maharashtra.

Last year, ABB raised its stake in ABB India from 52.11 per cent to 75 per cent, by buying back shares for $1 billion from investors, to tighten its grip in India (German rival Siemens AG, too, has a 75 per cent stake in its listed Indian subsidiary, Siemens). "We are not in India for labour arbitrage, but to be more competitive in the Indian and global markets," says Joseph Hogan, CEO, ABB Group (*see interview*).

Recently, the group won a contract for an ultra high-voltage direct current (HVDC) link between Assam and Uttar Pradesh, to transport surplus power. The 1,728-km line is a $900-million deal for ABB, and its Indian subsidiary's share is $130 million. "What is important beyond these numbers is that most of the engineering for this will be done in India," says Husain. "Outside of Ludvika, Sweden, Chennai is the only place where we have engineering capability for HVDC systems."

The local expertise is beginning to be felt on the business. From Vadodara, ABB India is preparing to dispatch seven giant transformers capable of handling 765 kV each to the Power Grid Corporation of India. When it supplied them before, they were imported. ABB and peers such as Siemens and Schneider lost out last year, when Korean and Chinese rivals walked away with the bulk of Power Grid's orders for 765-kV transformers. Shifting design and manufacturing to India allowed ABB to lower its quote to $2 million apiece, from $4 million two years ago, beating Asian rivals.

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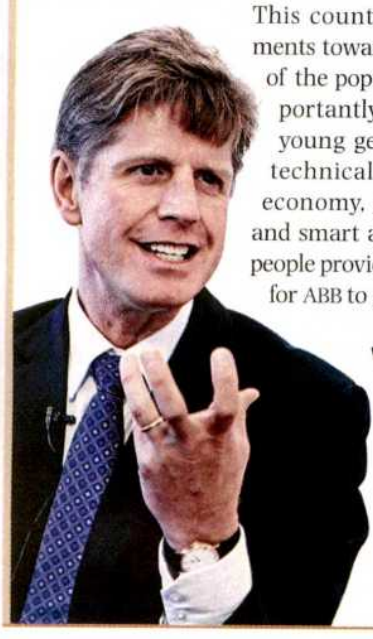
Q&A JOSEPH HOGAN

"We are in India not for labour arbitrage but to be competitive"

In his previous job, ABB global CEO **JOSEPH HOGAN**, *54, was credited with increasing GE Healthcare's revenues by $11 billion in seven years. On a recent visit to India, he spoke to about ABB's India's strategy. Edited excerpts:*

What advantages does ABB see in India compared to other emerging markets?

We find here a real commitment to economic growth. This country is making investments towards that. Also, the size of the population, and more importantly its demography – a young generation with strong technical capabilities. Strong economy, good demographics, and smart and technically sound people provide a strong foundation for ABB to grow.



What kind of investment are you planning here?

We are investing $24 million in a miniature circuit breaker facility, and also in our turbocharger and vacuum tube business. In power and automation, we are moving towards more assembly and engineering. I can't give you an exact figure on investments, but India is a priority.

What are your concerns about India?

How to move fast. This market is changing extremely quickly, and has its own needs and specifications.

What is the idea behind localising product design and manufacture?

It is to be more competitive in the Indian and global marketplace. That is the strategy. We want to be as close to our customer as possible, in both manufacturing and in design. We have not come to India for labour arbitrage. We are not here for low-cost labour. We are here for the Indian marketplace. We want to make sure we manufacture competitively, around the specifications and domains for the Indian economy and consumer base. We call it 'in India, for India'.

What kind of growth target are you aiming at?

We are looking at double digit growth in India – something like 10 per cent. We have aggressive plans for India as part of our five-year strategic plan.

Longer version of interview at www.businesstoday.in/Hogan

Aloke Mukherjea, Advisor, Ernst & Young India, and a former director at ABB India, says: "ABB believes it cannot control technology from one centre and expect subsidiaries to do well." He adds that India has been successful at absorbing the technology, and ABB has fared better with this strategy than others who have adopted it.

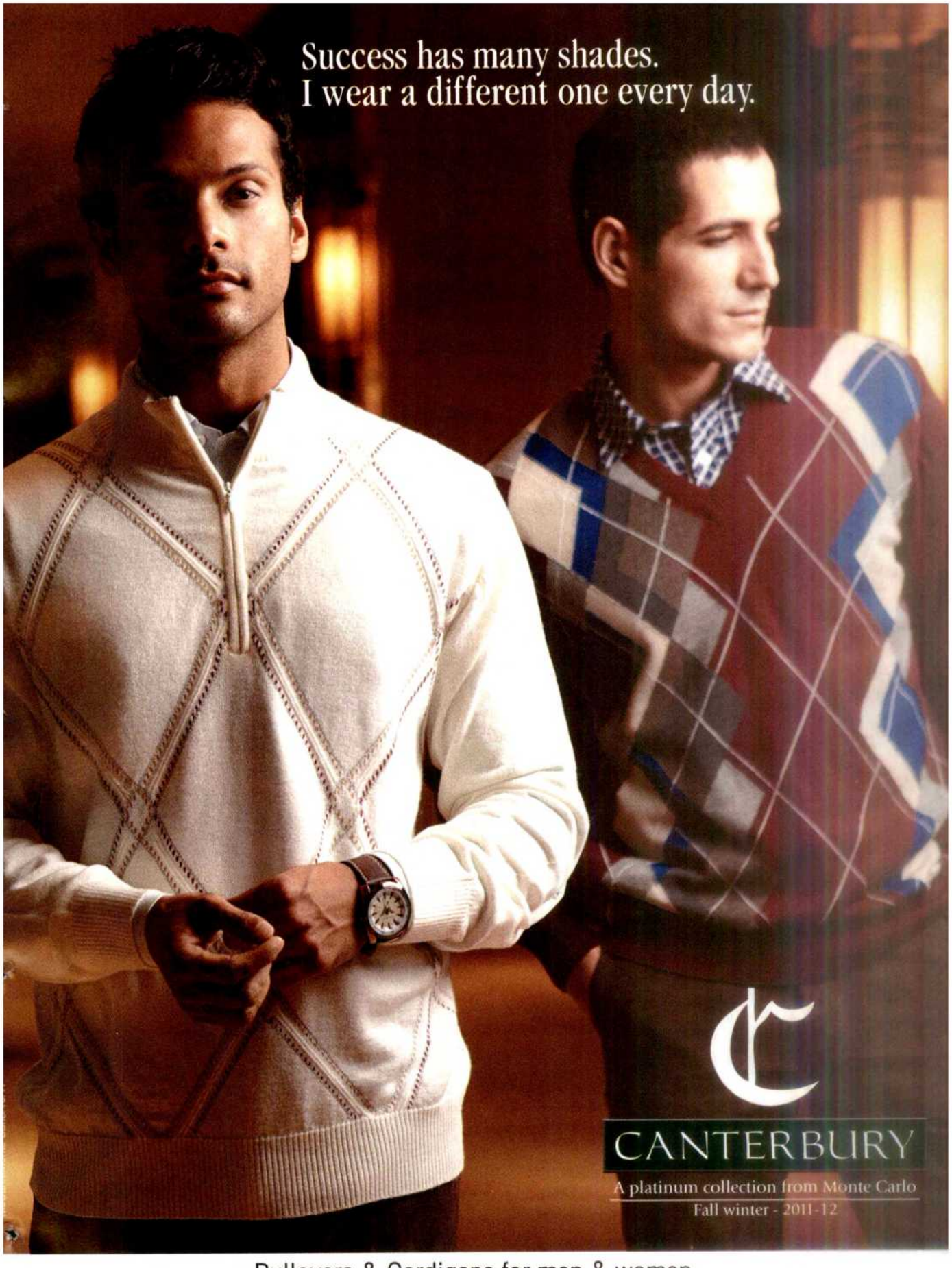
ABB's India business went through a bad patch last year (the group follows the calendar year) because of price erosion and competition. The decision in 2004 to be a turnkey contractor in the Rajiv Gandhi Grameen Vidyutikaran Yojana, a rural electrification scheme that the central government is implementing with the help of the private sector, did not turn out well for the company either. "We exited because we realised rural electrification is not close to our strengths," says Husain. His colleague Venu adds that ABB India still serves the rural market by selling products through contractors.

The ambitious capital expenditure projections for the power sector in the 12th five-year plan, beginning next April, have spurred ABB India to step up localisation. Group CEO Hogan says India consumes 0.79 units of energy to generate $1 of gross domestic product; the world average is 0.45. Increasing energy efficiency is not only critical to India's success, it also presents ABB with a big opportunity.

Krishnakant Thakur, analyst at Portuguese bank Espirito Santo, says most customers have low awareness about reducing costs through automation. "But ABB is investing in India, and introducing new automation products. Even if they are slightly expensive, they are trying to create a market for them." ◆

ON A SHOPPING SPREE

YEAR	COMPANY BOUGHT	DEAL SIZE
2009	Raman Boards	₹120 cr
2010	Metsys	₹9 cr
2011	Baldor	₹35 cr



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SHANGHAI SURPRISE

How the Chinese are changing General Motors India.

By SUNNY SEN and ALOKESH BHATTACHARYYA

The India arm of US auto maker General Motors, or GM, is in the midst of a DNA change. The metamorphosis is an offspring of the 50 per cent stake Chinese auto giant Shanghai Automotive Industries Corporation, or SAIC, bought in the company in February 2010 for $650 million, or ₹2,990 crore. The new GM India plans an audacious assault on the Indian market with no less than five Chinese cars in six months, starting January next year. "By combining the outstanding resources of GM with those of our partners in China, we can respond faster to the evolving domestic market than ever before," says Karl Slym, President and Managing Director of GM India. "It will help us emerge as a volume player in this market in the shortest time." The five launches will include a light commercial vehicle, or LCV.

Slym's hopes are built on the success of the partnerships GM has forged in China,

a performance that is in stark contrast to its India story. GM entered the two markets at about the same time in the mid-1990s. Over the years, the company has established itself as the Number Two auto maker in China with seven per cent market share; only German giant Volkswagen is ahead with 12 per cent. Thanks to its prescience in estimating the potential of emerging markets, 43 per cent of GM's sales today comes from the BRIC nations – Brazil, Russia, India and China – with China topping the list. In fact, so vital has China become to GM that the company held its last board meeting in the Middle Kingdom in September this year, the first outside the US.

In the same period, GM's performance in India has been lacklustre. It came with the Opel line, which had to be discontinued after a few years and Chevrolet was brought in. The focus on sedans in the initial years – there was also a station wagon – meant that GM had to be content with low volumes until it tapped the burgeoning small car market with Spark in 2007 (see *Market Share*). So weak was GM's image and brand recognition in India that Slym says: "People did not know whether we were General Motors or General Electric."

While Slym's sharp focus on the Chevrolet brand has addressed the brand recognition challenge, the launch of two small cars, Spark in 2007 and Beat in 2010, perked up the sales numbers. But not to the extent GM would have hoped for. For instance, Spark, GM's competing product against Alto – India's highest-selling car from Maruti Suzuki – sells around 3,500 units a month compared to Alto's 25,000. As for Beat, Slym hopes the recent introduction of a diesel variant – diesel cost being subsidised, diesel cars are hugely popular– will help it compete better with the likes of Ford's Figo, which sells around 6,000 units a month. So far, Beat's sales numbers have been similar to Spark's. In terms of financials, too, GM has struggled to be profitable in India (see *Bottom Line Troubles*).

In this situation, GM needed a booster shot to get a grip on one of the world's fastest-growing auto markets – even if, admittedly, this year has been a blip. And how better to do so than to try and replicate the China success in India? Analysts say the partnership is a smart move. "Chinese cars may not be very high on quality, but they will be able to price the product competitively," says Ammar Master, Manager, J.D. Power Asia Pacific, referring to the LCV GM plans to bring in. Delhi-based auto analyst Tutu Dhawan calls it an intelligent move. "GM can now leverage the Chinese advantages," he says. In the process, GM's Indian operations are being infused with a dose of Chinese products and processes.

Chinese Checkers

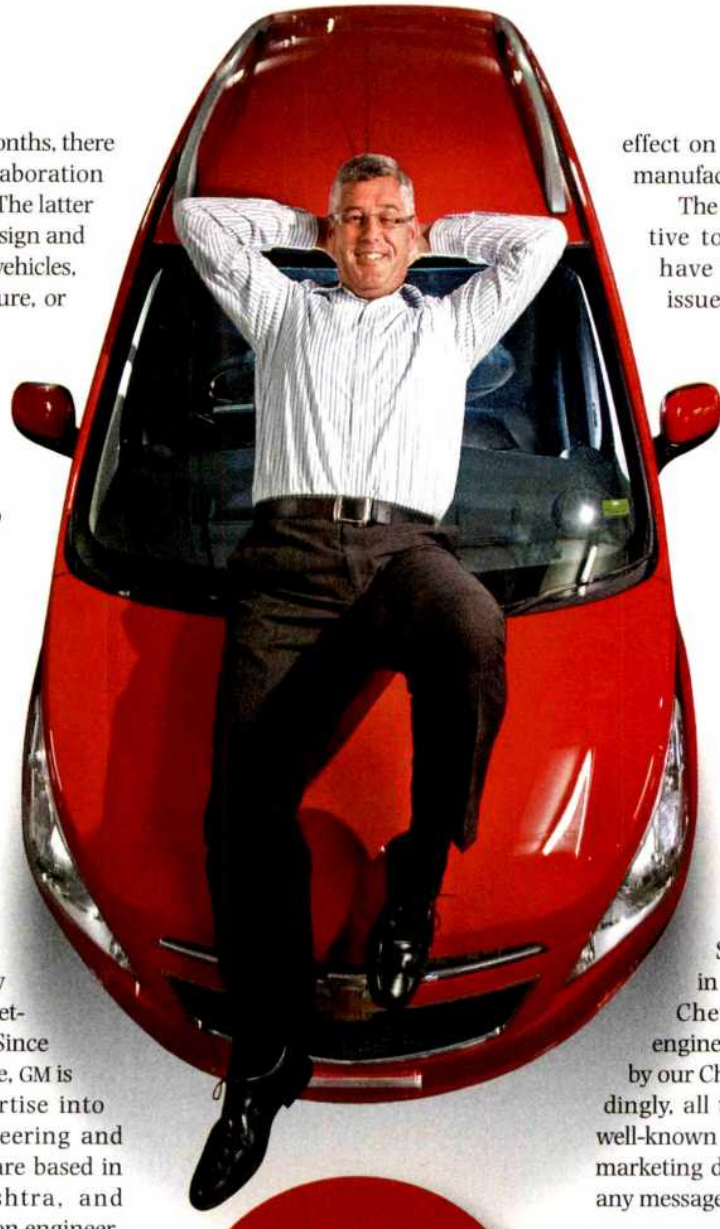
At the core of GM India's intricate game of Chinese Checkers is Slym, the 49-year-old Briton with a passion for cars and cricket. Slym jokes that while he shares his accent with the former England cricketer Geoffrey Boycott, he was a more aggressive batsman in his time. (Boycott was known for his dour batting style.) Slym's aggression is evident in the way GM's strategy has unfolded in India since he came in, with small cars becoming the company's focus area, multiple fuel variants being introduced, including CNG, LPG, diesel and hybrids of these, and with a three-year free service offer forming the bedrock of GM's marketing strategy.

Now, the man who joined GM in 1997 from Toyota, and who has been crucial to its growth in countries such as Japan, is attempting to take GM India the China way. Once every quarter, Slym visits Shanghai to check on the progress. In fact, even as this issue is being put to bed, Slym is in Shanghai, fixing the nuts and bolts of the partnership. "We will grow double the market rate once we come out with our full range," he says.

CHINESE ONSLAUGHT

- SAIC holds 50 per cent share in GM India
- The JV will introduce five vehicles in India next year; four will be unveiled at the January 2012 Auto Expo in New Delhi
- The cars will have Chinese design and core architecture; engines will be from GM
- The cars will give GM a portfolio of 12 passenger vehicles (not counting variants) in India, and one light commercial vehicle
- In comparison, Maruti Suzuki has 11 passenger vehicles, Hyundai has nine, Tata Motors five, and Ford India, four
- The five vehicles will allow GM India to better utilise its installed capacity of 470,000 cars per year. In 2010/11, it produced a mere 108,529 cars
- All cars will be branded Chevrolet and will not have any Chinese messaging

PHOTOGRAPHS BY VIVAN MEHRA AND IMAGING BY ANAND SINHA



Over the past 18 months, there has been intense collaboration between GM and SAIC. The latter is providing the core design and engineering of the five vehicles, because the joint venture, or JV, partners feel the designs of certain cars in China are suitable for India. In the first round, GM's Indian engineers travelled to Shanghai to acquire an understanding of the design of the cars. Slym explains that core design changes, such as altering left hand drive to right, are being done in China.

The cars are undergoing other changes to suit Indian conditions, such as increasing the ground clearance. They are all fitted only with petrol engines in China. Since diesel is a big draw here, GM is bringing diesel expertise into these cars. Its engineering and development centres are based in Talegaon, Maharashtra, and Bangalore. The Talegaon engineering centre is a JV with SAIC, while the Bangalore research and development centre is GM's own and reports directly to Slym. But since the Talegaon centre is small, much of the work on the SAIC vehicles is being done at the Bangalore centre and in China. Most components and parts are being localised to keep down imports from China and elsewhere.

GM India will have SAIC experts on the new assembly line as well. "We need them for specific skill sets, like for commercial vehicles," says Slym. GM's association with SAIC has also helped it reduce cost of manufacturing, "particularly with the new products", says Slym. "We have put in new equipment, facilities." He also agrees that this will have a cascading effect on the rest of GM India's manufacturing.

The company remains sensitive to the fact that it will have to tackle perception issues about Chinese products. Most Chinese companies in India, including Haier in consumer durables and Huawei in telecom equipment, face a similar challenge. The only Chinese car in India, the Rio compact SUV sold by Premier Automobiles, sells on average 200 units a month. To counter this negative image, GM is being careful to ensure these vehicles are not seen as Chinese vehicles. "These are not Chin- ese cars," asserts Slym. "We are bringing in five vehicles which are Chevrolet's – built here, engineered here, but designed by our Chinese partners." Accordingly, all the cars will sport the well-known Chevrolet logo, and the marketing drive is unlikely to have any message that alludes to China.

"We will grow double the market rate once we come out with our full range"

Karl Slym
MD, GM India

Segments and Pricing

Much depends on the segments the cars drive into, and their pricing. Predictably, Slym is tight-lipped, though he emphatically rebuts all speculation of an entry-level small car from SAIC to take on Alto, saying Spark will remain GM's entry-level car in India. "Traditionally there has been growth in the small car segment, but entry-level sedans, multi-purpose vehicles and entry-to-middle-level SUVs are also fast growing segments," says Kapil Arora, Partner, Automotive Practice, Ernst & Young. "That is what I think this JV is targeting."

The one segment in which GM does not have any presence in India is the super compact, or entry-level

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sedan segment, where the likes of Maruti's Dzire, Toyota's Etios and even Mahindra & Mahindra's Verito – the relaunched Logan – are selling well. The segment is growing at 51 per cent, at a time when the overall market is clocking barely two per cent growth. Slym simply smiles upon being asked if this segment will see an SAIC car.

One possible candidate in this segment is the Chevrolet Sail, which is available in two body types – a hatchback and a sedan. Bringing it in would allow GM to not just have another hatchback, but also a cousin entry-level sedan, to emulate the strategy of Maruti, which has Swift and Dzire; Toyota, with Liva and Etios; Volkswagen, with Polo and Vento, and Tata Motors with Indica and Indigo. Analysts, too, believe the twin Sails are likely to, um, sail into India, but Slym stays mum. Taking forward GM's multiple-fuel strategy, the new cars will sport fuels in 14 different variations, including hybrids, but there will not be any electric car.

Through this partnership, GM will also enter the commercial vehicle segment for the first time in India, with the launch of an LCV, possibly in the category of Tata Ace, a small sub-one-tonne truck which has been hugely successful. "We haven't seen any decline in that segment," says Slym. E&Y's Arora agrees. "In the commercial vehicle segment there is room for sub-one-tonne vehicles and MUVs," he says. "But in all categories competition will be intense."

Naturally, GM will not have an open field. In the hatchback segment, which accounts for more than 75 per cent of car sales, competition is cut-throat. Honda recently launched Brio to take on the likes of Swift. "This market is getting more and more new products, but at the same time the market (size) is increasing," says Jnaneswar Sen, Senior Vice President, Sales and Marketing, Honda Siel Cars.

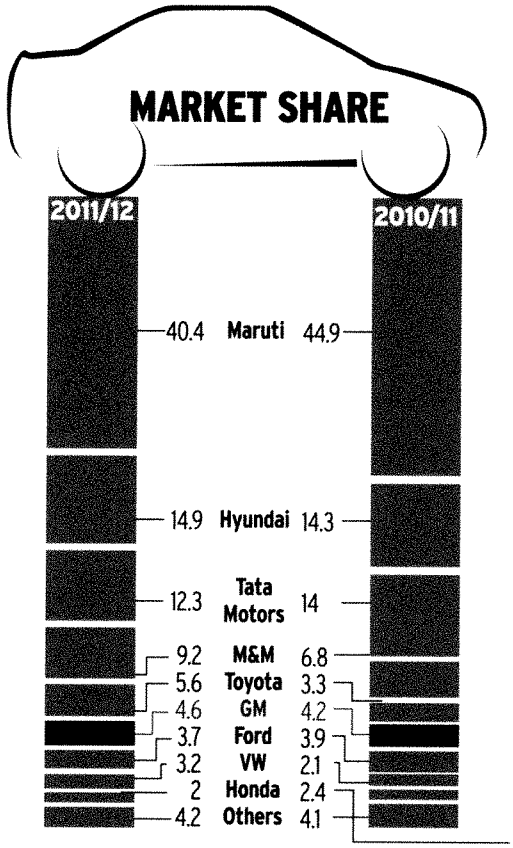
Toyota earlier launched Liva in the same segment to encouraging response from customers. Volkswagen's Polo and Nissan's Micra are already in the fray, and Ford's Figo has done very well, too. Besides, Maruti Suzuki, Hyundai and Tata Motors are gorillas here. Other segments such as sedans, SUVs and MUVs are also seeing increasing competition.

At the same time, transplanting a successful formula from one market into another does not always mean sure success. M&M, for instance, believes that transplanting a model into another geography is not the best idea. "I don't think a transplant will be successful; it always has problems," says B. Bhaumik, Senior Vice President and Head, Product Development, M&M, though not necessarily alluding to GM's strategy. M&M burnt its fingers with Logan, a smash hit in Europe.

Interestingly, though GM India has a manufacturing capacity of 470,000 cars every year, it produced a mere 108,529 cars in 2010/11. Hyundai has 300,000 units – 50 per cent of its capacity – earmarked for India, and the remaining for exports. Theoretically, if GM is able to utilise its production capacity far more than it does now, it could put up a strong challenge to the market leaders.

But the big question now is, even as GM India's Chinese association brings about changes in its manufacturing practices and product portfolio, can it also propel the company into the big league? That is another story. ◆

MARKET SHARE

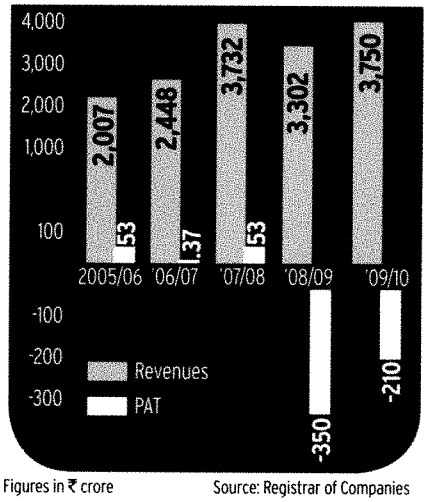


Figures in %
Source: SIAM

Figures for 2011/12 for Apr-Aug

BOTTOM LINE TROUBLES

Revenues have grown but it will be a while before GM India becomes profitable again



Figures in ₹ crore

Source: Registrar of Companies

Though GM India has a manufacturing capacity of 470,000 cars every year, it produced a mere 108,529 cars in 2010/11. Hyundai has 300,000 units – 50% of its capacity – earmarked for India, and the remaining for exports

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OLD ECONOMY MUSCLES IN

Aegis from the Essar fold and Aditya Birla Minacs are giving BPO veterans a run for their money.

By GEETANJALI SHUKLA

A post-lunch slowing of biorhythms is sweeping through call-centre country Gurgaon and the performance on a floor full of agents working on a large Indian mobile phone company's account is faltering. The slowdown is spotted some 1,400 km away at Aegis's grandiosely-named Global Command Centre, or GCC, in Mumbai. The analyst, who notices the falling metrics, reaches for the phone, flagging it to the Gurgaon call centre's head with a solution: cut down on breaks later that afternoon to bring back service levels to an even keel.

Sure, there would have been some tight bladders on the post-lunch shift, but the remote sensing ability of Aegis's so-called GCC is the next generation of outsourcing, says Aparup Sengupta, the company's Managing Director and Global CEO. "It will improve consumer experiences and in the process help companies perform better," he says.

Systems like the GCC (it cost $10 million to put up), a focus on consultancy, and its investment in training will propel growth for the emerging star in the steel-to-oil Essar group of companies, says Sengupta. For a company that has made 18 acquisitions in seven years, Aegis is focused on squeezing growth through consolidating its spread. "We crossed $700 million of revenue this year. By March 2012, we want to cross the magic $1 billion

ILLUSTRATIONS BY RAJAT BARAN

mark, and this growth will be organic," says Sengupta. India's total business process outsourcing, or BPO, services revenue was around $17 billion in 2010/11.

Halfway across the world, another BPO unit from an old economy Indian conglomerate is also pushing the envelope. Toronto, Canada-based Deepak Patel, CEO, Aditya Birla Minacs, is busy expanding beyond plain vanilla outsourcing to high-tech consulting. "It's a domain, domain, domain game now! The earlier model of Indian outsourcing was based on labour arbitrage, but that alone is not enough now," says Patel. Companies are outsourcing even what used to be considered "core" work some years ago. For example, credit card issuers earlier would not outsource fraud detection and forensics work; today, they are.

To address opportunities like this, Minacs – as the BPO unit of the $35-billion Aditya Birla conglomerate is commonly called – has a new go-to-market approach in place, which has the company proactively presenting proposals to clients rather than merely responding to request for proposals, or RFPs, floated by outsourcers. "This happens more with existing customers, is more expensive than traditional methods, but works better in sales conversion than the traditional method of responding to RFPs," says Patel. "If you get up the value chain, the margins are higher, the business is stickier, and relationships with your partners are more respectful."

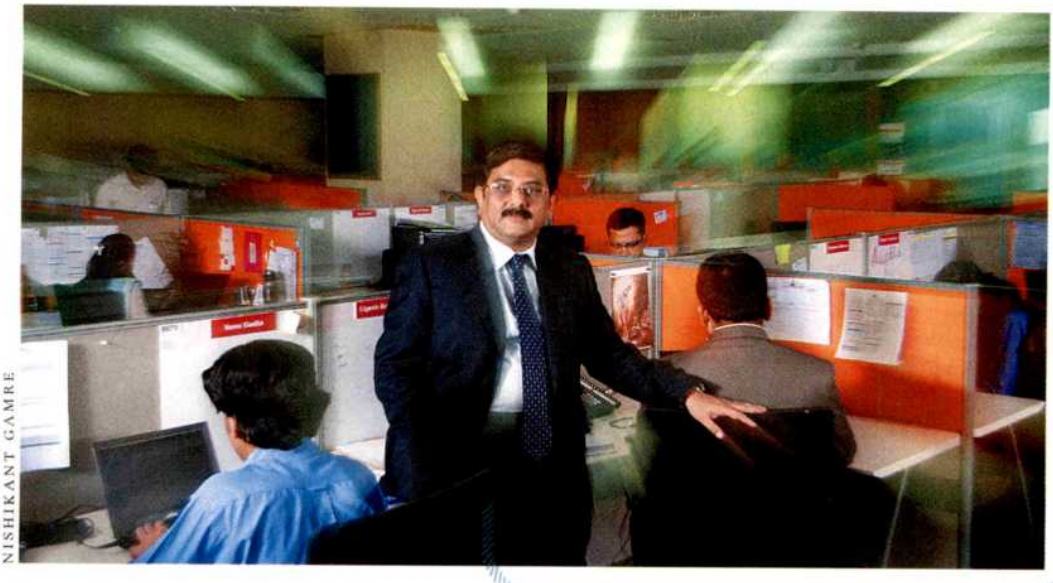
Earlier this year, for one of its unnamed North American customers, Minacs's executives visited 140 sites across the United States to understand closely the operations. "After six months of extensive touring, we put forward five proposals, each of which was tailor-made to meet their requirements. This changed the competitive landscape as nobody had the kind of insight that we did," he says. These steps are reflected in the company's revenues: $375 million in 2010/11, up from some $312 million the year before. "There is a growing need for BPOs to use the data to drive certain business results aligned with their business processes," says Mayur Sahni, Senior Market Analyst, IDC Asia-Pacific.

In India's rapidly growing BPO industry, Aegis and Minacs are outliers; very different from new-age start-ups seeded by professionals, such as WNS, or outsourcing units spun off from multinationals (market leader Genpact, for instance). Aegis and Minacs, by contrast, come from old world business groups which have made their millions in businesses such as cement, steel, petroleum and aluminium, among others. The closest business to tech outsourcing services they have run is telecom.

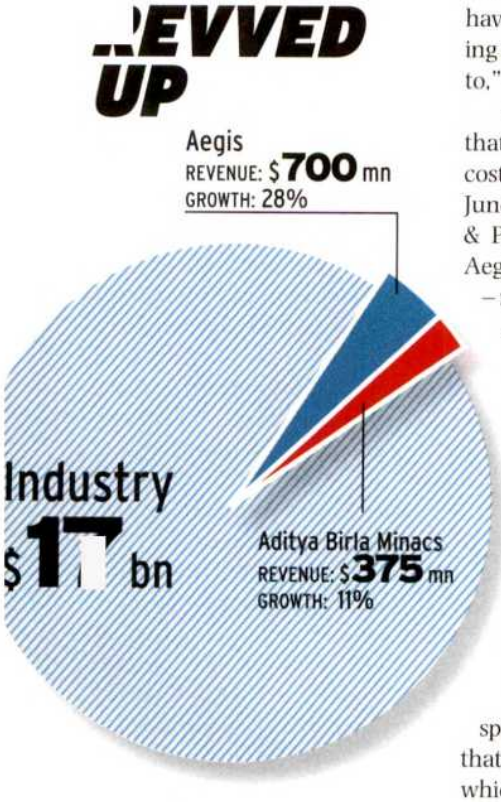
While both the BPO firms claim that a small percentage – four per cent for Minacs and less than seven per cent for Aegis – of their business comes from their respective parent groups, there is no denying the benefits of being part of large conglomerates. "For most BPO companies

"By March 2012, we want to cross the magic $1-bn mark, and this growth will be organic"

Aparup Sengupta, MD & Global CEO, Aegis



NISHIKANT GAMRE



positioning is a mere brand statement. Aegis and Minacs have spent money in executing their brand positioning. They have been able to do so due to the backing of the large groups that they belong to," says a BPO industry insider.

It is perhaps such depth of support that allows Aegis and Minacs to absorb costs even if it lowers profitability. In June this year, rating agency Standard & Poor's expressed concerns over Aegis's 13 per cent operating margins – measured by earnings before interest, tax, depreciation and amortization, or EBITDA – being lower than its peers. The reason for this is its higher share of onsite delivery which piles up costs. Sengupta calls it cultural proximity to its customers. "An employee sitting in Bangalore may not be able to serve a platinum card customer from the US who lost his card skiing in Vermont," he says.

Minacs hired 30 senior domain specialists in 2009/10 – an expense that had not been budgeted for, but one which, Patel says, was critical to take the business forward. "If you are going to execute pieces of your client's business, you got to have people who are more talented than the ones your clients have." At ₹35 crore in the April-June quarter this year, Minacs's EBITDA was flat from last year, but Patel puts it down to investments in ramping up to serve clients in the coming quarters.

Next, the Aditya Birla group plans to merge two information technology, or IT, subsidiaries into Minacs, a move lauded by an analyst. "There are two ways in which BPO vendors move up the value chain. One is by moving up within the BPO industry, where Indian vendors have been fairly successful. The other is by moving from BPO services to IT services. Indian BPO companies have been finding it difficult to achieve growth in IT services organically," says Ajay Srinivasan, Head, CRISIL Research.

Over the years, Minacs and Aegis have built strong businesses. How valuable they turn out to be in the years ahead for the conglomerates they are a part of will be decided by how quickly they step out of their parents' benign shadows. ◆

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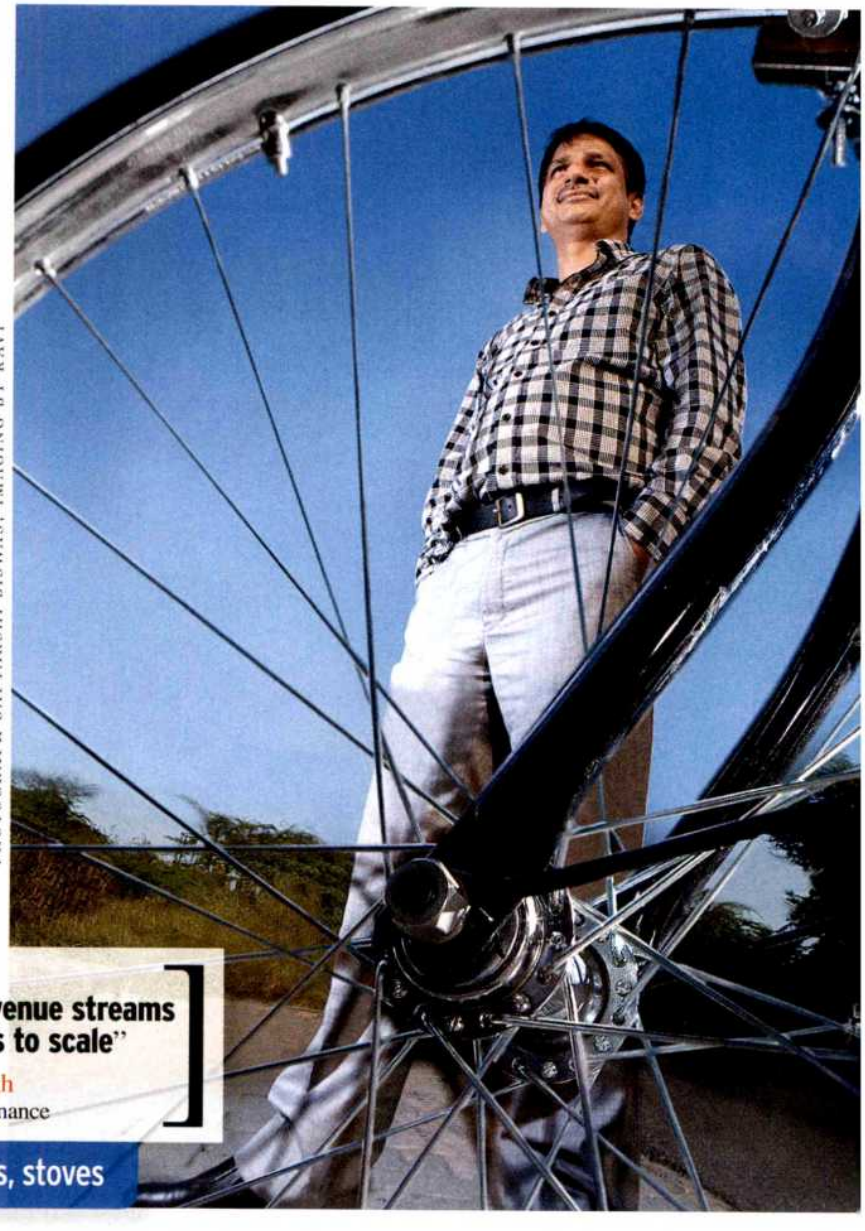
Desperately Seeking Revival

A year after being knocked flat by the Andhra Pradesh clampdown, microfinance institutions have redefined their focus and are busy diversifying.

By E. KUMAR SHARMA

Microfinance is the business of disbursing modest, short-tenure loans without collateral to small borrowers, most of them poor. But a year after new regulations in Andhra Pradesh – the state accounts for about one-third of ₹20,000 crore industry in India – that sought more control over the business all but killed it, microfinance institutions, or MFIs, have turned to financing bicycles to tractors, cooking stoves to houses.

The aim: try and crawl out of the pit they are in by reducing risk in their portfolios and diversifying revenue streams. This, they hope, will help them overcome losses and start afresh. As G. Padmaja Reddy, Founder and Managing Director of Hyderabad's Spandana Sphoorty Financial, the second-largest MFI in the country, says, "You have to tell your story all over again, convince investors and lenders and try to rebuild the organisation."



PHOTOGRAPH SAPTARSHI BISWAS; IMAGING BY RAVI

"The aim is to diversify revenue streams and grow each business to scale"

Anup Kumar Singh
Founder/MD, Sonata Finance

Offers loans for bicycles, stoves

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"You have to tell your story all over again"

G. Padmaja Reddy
Founder/MD, Spandana

Finances tractors, offers gold loans

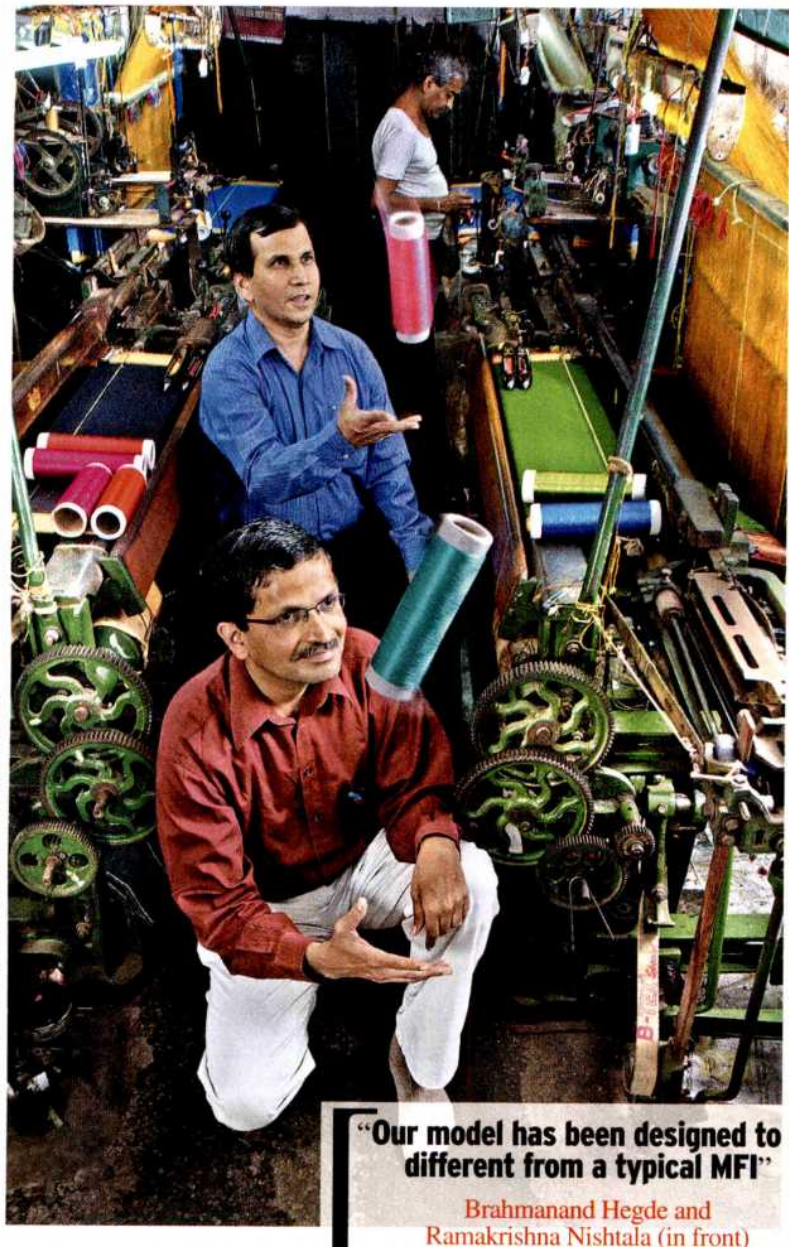
MFIs in India are of two kinds: those regulated by the Reserve Bank of India, or RBI, and called non-banking finance companies, or NBFC MFIs, and those run by non-profit trusts and societies. NBFC MFIs, which have access to relatively cheap financing from banks under the priority sector lending targets of the lenders, account for over 75 per cent of the loans disbursed by the sector.

Exactly a year ago, in October 2010, the Andhra Pradesh government, reacting to reports of coercive loan recoveries by some MFIs – which had allegedly even led some debtors to commit suicide – promulgated an ordinance imposing drastic curbs on MFI functioning. The ordinance, later made into law by an Act of the state Assembly, requires MFIs to register themselves with multiple state government bodies, declare their interest rates upfront, make all details relating to borrowers public, stop seeking weekly repayments and deny additional credit to borrowers who already have loans pending.

With the RBI-appointed Malegam Committee also echoing the state government's concerns on customer protection, MFIs were done for. Borrowers in Andhra Pradesh, buoyed by the government's new rules, virtually stopped repaying loans, while banks, disturbed in equal measure, almost stopped lending MFIs any more money, not just in Andhra Pradesh but across the country. The result was inevitable: MFIs tumbled into the red. The situation is so bad that some believe the some ₹7,000 crore loan outstandings in Andhra Pradesh run the risk of turning into non-performing assets.

The country's biggest MFI, SKS Microfinance, recorded a loss of ₹70 crore in the fourth quarter of 2010/11 against a net profit of ₹63 crore for the same period in the previous year (see *www.businesstoday.in/sks*). So too Spandana, which had a net profit of ₹200 crore in March 2010, saw it whittle down to ₹10 crore a year later. Since then its financial situation has worsened, with losses currently at ₹50 crore and an outstanding debt of ₹2,300 crore.

But Spandana – which Reddy started 13 years ago, with ₹50,000 from her personal savings, but now



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"Our model has been designed to be different from a typical MFI"

Brahmanand Hegde and Ramakrishna Nishtala (in front)
Promoters, Vistaar Finance

No longer an NBFC MFI, provides larger loans

has a net worth of ₹500 crore – is fighting back. It has strengthened itself internally by setting up a risk department to check overexposure to any product or region. It is also increasing its focus on businesses that fall outside the ambit of traditional microfinance.

One such is that of financing tractors, which it had started in a small way in August 2009, and where, unlike in traditional microfinance, loan sizes are big and the vehicles have to be hypothecated to the company. Since the microfinance law was passed, the scheme has been extended from Andhra Pradesh, where it began, to Karnataka and Maharashtra, and there are plans to enter Chhattisgarh and Madhya Pradesh as well. Against 500 tractors financed in the first year, the number financed to date has risen to 10,000. Another is disbursing 'gold loans' or loans against pledged gold jewellery. Spandana is also looking at providing housing loans to the poor. "Given the developments in Andhra Pradesh, we want to grow these and other revenue streams," says Reddy.

Diversification is clearly the new mantra, even though MFIs are permitted to invest only 15 per cent of their total assets in businesses other than conventional microfinance. "What we are seeing now is newer revenue streams emerging as verticals within the microfinance ventures. When taken to scale they could be converted into separate companies," says S. Viswanatha Prasad, co-founder of the Bellwether Microfinance Fund, the country's first microfinance investment fund.

That is just what P.N. Vasudevan has done. After 22 years in retail finance, first with Cholamandalam and then with Development Credit Bank, Vasudevan set up the Chennai-based MFI Equitas Micro Finance India in June 2007. Hit by the Andhra Pradesh law, he launched the operations of two fully-owned subsidiaries in July this year: Equitas Housing Finance and Equitas Finance. The first provides housing loans of ₹5 lakh to ₹25 lakh to the self-employed, while the second disburses loans to buy second-hand commercial vehicles. Around the same time Vasudevan also took over another company, Singhvi Investment & Finance. He is awaiting permission from the Madras High Court to transfer all the ₹700 crore microfinance assets and related liabilities of his main company to Singhvi Investment. The main company, Equitas Micro Finance India, will then be given a new name and made

Badly Bruised

The microfinance sector's growth has been stunted

	March 2010	March 2011
LOAN OUTSTANDINGS (₹ CR)	18,300	21,000
LOAN OUTSTANDING GROWTH RATE (%)	57	13.5
CLIENT BASE (CR)	2.66	3.20
CLIENT BASE GROWTH RATE (%)	46	20

Source: Sa-Dhan

a holding company for all the companies in his group, thus making microfinance just one among his range of commercial interests.

Even MFIs without any stake in Andhra Pradesh are responding similarly. In Allahabad, Sonata Finance, run by Anup Kumar Singh – an MBA and former employee of Cashpor, the first major MFI in north India – has begun offering loans to buy bicycles and cooking stoves. It has tied up with bicycle manufacturer Hero Cycles for the first and marketing company Gajam India for the second: Sonata gets a small commission on each sale. Bicycle loans have to be repaid with interest over 35 weeks, while cooking stove loans – which are also interest free – carry a 10 to 16 weeks tenor.

Sonata has also begun another scheme where it delivers foreign remittances at people's doorsteps, having tied up with the United Arab Emirates Exchange and Western Union to do so. All those living in the vicinity of Sonata's 123 branches across Uttar Pradesh, Uttarakhand and Madhya Pradesh can use the facility. "The aim is to diversify revenue streams," says Singh, who is also eyeing entry into commercial vehicle finance. "But if these new initiatives gather scale and we need to look at them as separate businesses, we are open to spinning them off as separate companies too."

With bank funding for MFI loans drying up, the ripples from Andhra Pradesh are being felt in eastern India too. Kolkata's Arohan Finance, for instance, run by Shubhankar Sengupta – a graduate from the Institute of Rural Management, Anand, who worked with leading MFI, BASIX, for years before starting his own – found itself with little money to disburse. Its outstanding loans declined from ₹124 crore in September 2010 to ₹75 crore now.

Alongside conventional

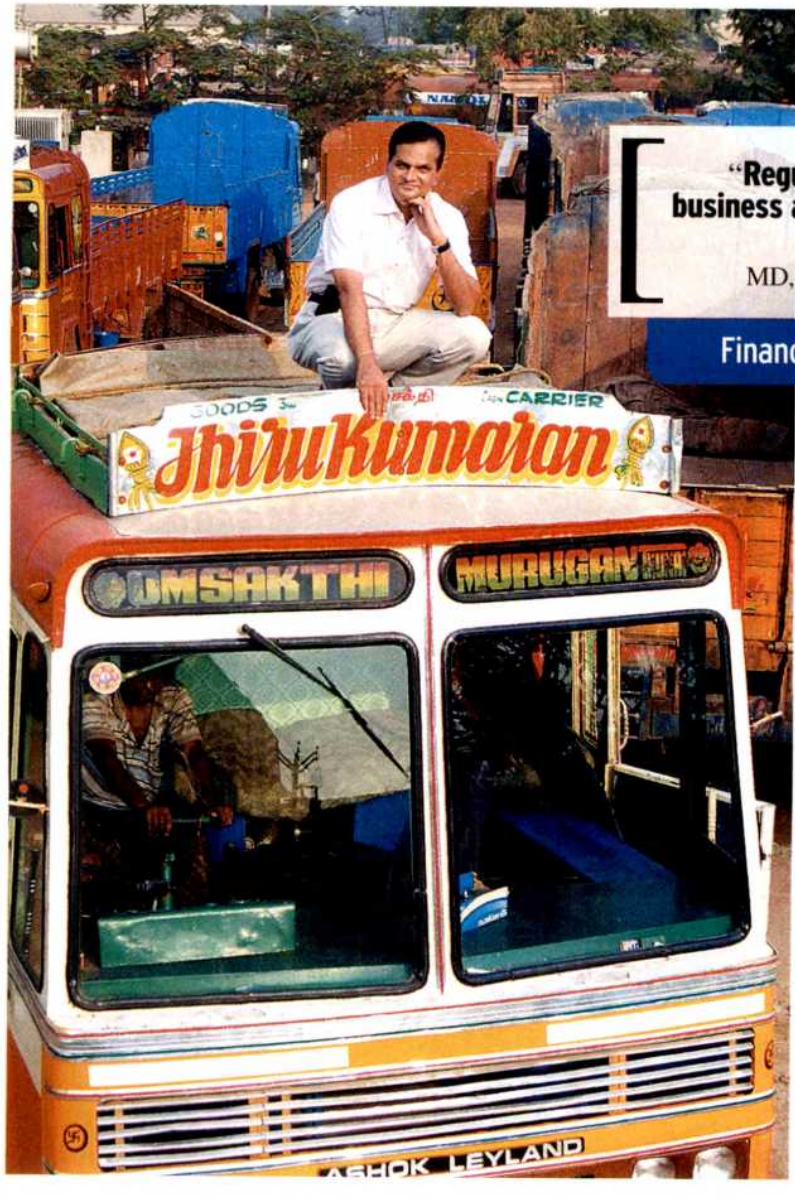
> **"The crisis has shown the vulnerability of mono-product companies"**
>
> Shubhankar Sengupta
> Promoter/MD, Arohan Finance

Lends to small-time furniture makers, welder workshops

SUBIR HALDAR

microlending. Arohan has started funding microenterprises, giving loans to small-time furniture makers, welders' workshops and the like. Sengupta next plans insurance policies and pension schemes for the poor. "The crisis in the microfinance sector has exposed the vulnerability of being a mono-product company," he says. "With borrower mentality having changed and banks reluctant to lend, there is need for product innovation and a wider engagement with the borrower."

Some MFIs have departed from conventional microfinance activities altogether. One such example is Vistaar Finance, set up in Bangalore in March 2010 by Brahmanand Hegde and Ramakrishna Nishtala, both formerly with Fullerton India Credit, a leading NBFC. From small livelihood loans earlier, Vistaar has moved to loans of larger amounts, so that is now simply an NBFC and no longer an NBFC MFI. The size of its loans has risen from an average of ₹35,000 earlier to ₹2.5 lakh.



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A Microfinance Bill, regulating all aspects of the sector including thrift, payments and insurance, and applicable across India, is pending before Parliament and many believe the current uncertainty will persist till it is passed. "The regulatory atmosphere continues to be uncertain," says M.S. Sriram, an adjunct professor at the Indian Institute of Management, Ahmedabad, and an expert on MFIs. "Even the RBI seems to have adopted a wait-and-watch approach towards MFI regulations. Possibly once the bill is passed, the RBI will clarify its own regulatory position."

He expects the number of MFIs to shrink as the sector consolidates in a bid to use size as a bulwark. Already there is market talk that Spandana and two other Andhra Pradesh-based MFIs, Share Microfin and Asmita, may merge.

"Regulations require different business arms for specialised funding"

P.N. Vasudevan
MD, Equitas Micro Finance India

Finances housing, used trucks

With so much diversification, do MFIs still deserve to be called MFIs? "Unfortunately, players in this sector, who were supposed to be specialised entities focused on building access to the poor, may be forced now into becoming general players, which may not be in the best interests of the sector," says Achla Savyasaachi, Vice President, Sa-Dhan, an association of finance institutions engaged in community development. Spandana's Reddy agrees, though she is less alarmed by the prospect. "Five years from now, instead of MFIs, we may call ourselves rural-focused organisations that are into diversified activities and businesses across geographies," she says. ◆

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Stop Banging Out the Loans

Microfinance in India is at a crossroads. While a few microfinance institutions, or MFIs, have innovated in providing a mix of client-responsive products and services, most adopted a narrow, uniform model of disbursing group loans to very low income clients, mainly women. Some MFIs have got very good at banging out the loans. At one point, SKS Microfinance was approving 100,000 loans a week. While the executing capacity of these MFIs is impressive, it is clear that many built operating models capable of doing only one thing. Various MFIs have tried diversifying product offerings, but at the same time, several MFI leaders have been called "graveyards of innovation" focused solely on banging out the loans.

Most of the strong MFIs are based in the south, particularly Andhra Pradesh, or AP. For the last several years, it has been increasingly clear that low income clients were borrowing from self help groups, or SHGs, and multiple MFIs, each aggressively lending without knowing the overall indebtedness of clients. The single-minded focus on growth in microloans by some industry leaders, fuelled by commercial equity and borrowings, shifted the original focus from building sustainable institutions that helped clients build income and assets to a "macho" focus on short-term profits. The focus shifted from adding value to customers to extracting value.

In this process, the social capital in the Indian microfinance industry, built by organisations such as SEWA Bank, BASIX, Friends of Women's World Banking and others over the last 20 years, began to fray. Over the last several years, as banks began to pursue inclusive finance, MFIs were not part of the conversation. MFIs operated in isolation without reflecting on, or contributing to, learning and policy building, making themselves vulnerable to often unfair political attacks. These MFIs did not charge exorbitant interest rates. Most refused to lend to high risk agriculture, which makes blaming them for farmer suicides, ironic. But many probably did over-lend to the same borrowers. Because the loans were small, and because credit bureaus do not operate in this market, it was unclear to what extent loans exceeded customers' capacity to repay.

The irony is that these MFIs, warts and all, have done great work – providing access to finance to over 30 million low income women mainly in rural areas. The top 50 MFIs in India have achieved financial sustainability. Services by MFIs have been deeper than those provided under the bank-SHG model.

Unfortunately, with the politics in AP and the Malegam report creating great concern before the balanced RBI regulations came out in April, bank lending to MFIs was cut dramatically. This curtailing of funds and the politics of AP created great uncertainty and a sense among poor clients that they did not need repay. One year later, MFIs with a history of excellent repayment rates now have enormous portfolio quality and liquidity problems with massive restructuring underway.

So what now? Hopefully, most MFIs will get back to the basics: finding solutions that work for poor clients and generate profits for the institutions serving them. Hopefully, the next stage will involve the build up of many diverse approaches, rather than replications of a single, narrow microlending model. The bang-out-the-loan model eventually leads to over-lending and over-indebtedness. We need to find models that support low income people in buildng income and assets, not just debt.◆

A microfinance industry expert, the writer is Founder and President of Enterprise Solutions to Poverty, which engages industry leaders in building inclusive growth strategies

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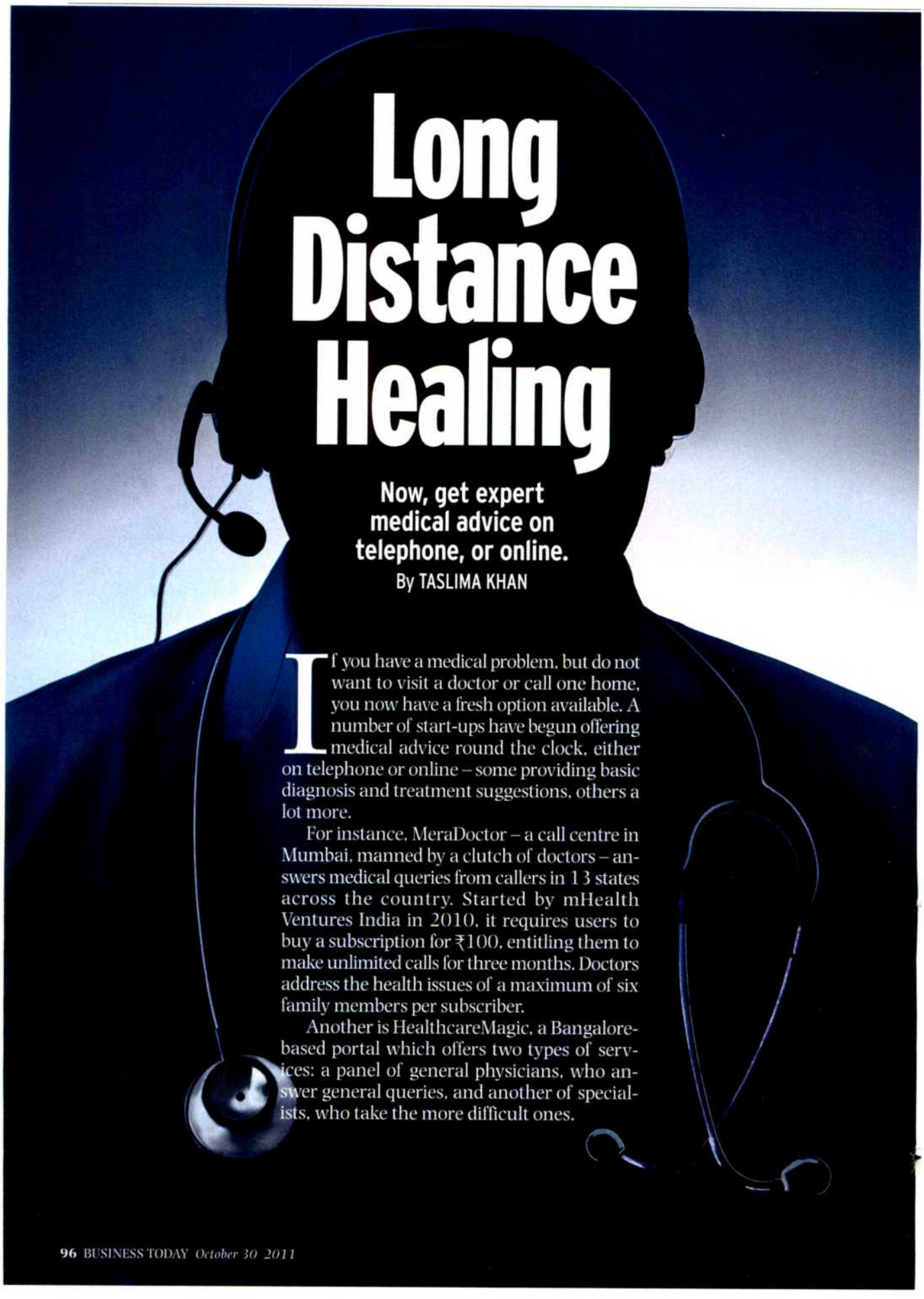

Long Distance Healing

Now, get expert medical advice on telephone, or online.

By TASLIMA KHAN

If you have a medical problem, but do not want to visit a doctor or call one home, you now have a fresh option available. A number of start-ups have begun offering medical advice round the clock, either on telephone or online – some providing basic diagnosis and treatment suggestions, others a lot more.

For instance, MeraDoctor – a call centre in Mumbai, manned by a clutch of doctors – answers medical queries from callers in 13 states across the country. Started by mHealth Ventures India in 2010, it requires users to buy a subscription for ₹100, entitling them to make unlimited calls for three months. Doctors address the health issues of a maximum of six family members per subscriber.

Another is HealthcareMagic, a Bangalore-based portal which offers two types of services: a panel of general physicians, who answer general queries, and another of specialists, who take the more difficult ones.

The specialists are a global crowd, with some based in the United States, Britain, West Asia and Africa, apart from India. Set up in 2008, the portal already has 2,500 empanelled doctors and caters to around 400 to 450 callers daily. Curiously, most of them are from North America and Europe. It has also roped in a number of corporate clients including SAP, HSBC, HCL and McAfee.

A start-up providing only specialised medical advice is MediAngels, launched on Republic Day this year by the Mumbai-based duo of Dr Debraj Shome and Dr Arbinder Singal. The portal now has one of the largest panels of medical super-specialists in the world – 300 of them, scattered across 20 countries, specialising in 89 disciplines. At any time, there are eight doctors available, who help patients identify the specialists they need, and forward their queries accordingly.

MediAngels gets around 30 to 40 queries daily, which are answered within 72 hours. It has also tied up with 21,000 diagnostic laboratories across the country, which if required, visit the homes of patients (the portal refers them to) to collect samples and email the reports to MediAngels. Both MediAngels and HealthcareMagic charge ₹150 for a general query and ₹800 for a specialised one. To consult a doctor living abroad, a patient must fork out $100.

Some hospitals and individual doctors too are providing similar medical advisory services. The Apollo Hospitals group, for instance, has tied up with telecom provider Aircel to answer medical questions for ₹45 per patient. Similarly, Dr A. Sampath Kumar, former head of Cardiothoracic and Vascular Surgery at the All India Institute of Medical Sciences, encourages patients to contact him online. He comments on reports they send him online and calls them to Delhi for a physical examination only if it is essential.

How useful is such treatment? How much can a doctor really tell without physical examination of a patient? "In almost 70 per cent of cases, physical presence is not needed," says Dr Vinay Aggarwal, National Head, Indian Medical Association. "In many cases, even with diseases like cancer, doctors can study reports online and give advice."

Again, certain type of specialists are not available everywhere in India, especially outside the big cities. "We have very few super-specialists, especially in the smaller towns," says MediAngels co-founder Dr Arbinder Singal. "For instance, there are hardly 20 paediatric cardiologists in India." He is himself a paediatric urologist – yet another discipline in which specialists are very few. "I treat kidney diseases and have seen a number of rare cases which do require a super-specialist to diagnose them."

Telephonic or online care, however, has some limitations. Some patients cannot do without the physical presence of a doctor, being unable to communicate their problems effectively either on the telephone or by email. "In these cases, our doctors tell them to go for a physical examination," says Kunal Sinha, who started HealthcareMagic. More importantly, long distance medical services are not allowed to prescribe drugs; they can only advise, or at best, suggest OTC, or over the counter, drugs, which are of

Elsewhere

BRITAIN The state-run National Health Service has NHS Direct, a service which answers basic health queries and fixes appointments with doctors

MEXICO Private agency, Medicalhome, runs a health hotline service

UNITED STATES Mayo Clinic provides online health consultancy

BANGLADESH Telemedicine Centre runs Healthline call centre

"We can only provide medical advice. The final responsibility rests with the doctor who is treating the patient."

DR ARBINDER SINGAL
Co-founder, MediAngels

UMESH GOSWAMI

limited use in serious illnesses. "Ultimately we are only providing medical advice," says Dr Singal. "The final responsibility rests with the doctor who is treating the patient."

The government has not yet formulated any regulations for such call centres and portals, though the latter exercise their own precautions. MediAngels, for example, has a Health Assurance Committee which checks out the qualifications of all doctors who seek to empanel with it, and ensures they are members of the Medical Council of India. (Those based in other countries need to be registered with the corresponding body in that country.) "The concept of medical ethics should evolve to include such services," says Dr Aggarwal. "I think availability of doctors online would be nice. If someone in Nigeria wants to take an opinion from a doctor in India, how else can he do so if he cannot afford to travel down?"

Both Rx Doctor Healthcare, the company that owns HealthcareMagic, and Angels Health, which started MediAngels, are working to add new features to their portals. "We are building a mobile application to enable Android phones to access our site," says Sinha of Healthcare. "It will be possible to download and use it through a mobile phone without having to open it through a browser." MediAngels is designing a software to enable patients to transmit their complete medical records online, including magnetic resonance imaging, or MRI, scans. It is also creating a video conferencing facility for patients.

A number of other countries – including Britain, the US, Mexico and Bangladesh – already have successful similar ventures. While Britain's is state run, it is privately managed in other countries. Indeed Gautam Ivatury, a director at mHealth Ventures, which started MeraDoctor, says he was inspired by the effort in neighbouring Bangladesh. The Telemedicine Centre in Bangladesh, a private company, where Ivatury is on the board of directors, runs a call centre called Healthline that provides medical consultation over telephone. "The idea is to replicate the Bangladesh success story in India," explains Ivatury.

So far Indian companies in the fray have been reluctant to discuss financials. However, Prashanth Prakash, partner at venture capital firm Accel India which invested $2.5 million in HealthcareMagic, says online health consultancy will pick up just the way e-commerce has. "Their scale will depend on how fast companies increase adoption of these services and the number of international doctors they are able to draw on to their panels," he says. ◆

"In many cases, even with diseases like cancer, doctors can study reports online and give advice."
DR VINAY AGGARWAL, National Head, Indian Medical Association

Dial-in: Doctors consult while advising a patient at MeraDoctor

NISHIKANT GAMRE

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NEW KID OFF THE BLOCK

F1 is basking in cricket's misery. But for how long?

By DEARTON THOMAS HECTOR

FORMULA ONE

Title rights: **Airtel**

₹**34** cr

for 5 years

Advertising rate
for 10-second slot

₹**1.5** lakh

(Total of 80 slots)

CRICKET

Indian Premier League

Title rights: **DLF**

₹**200** cr

for 5 years

Advertising rate
for 10-second slot

₹**5** lakh

ICC World Cup T-20*

Title rights: **None, separately**

Advertising rate
for 10-second slot

₹**20** lakh

Champions' League T-20

Title rights: **Nokia**

₹**6-8** cr

for multi-year deal

Advertising rate
for 10-second slot

₹**1.5-1.75** lakh

* For match in which India is playing

Sources: Industry estimates

Come October 30 and the 5,137-metre Buddh International circuit in Greater Noida, near Delhi, will be on fire. Ninety-six Pirelli tyres will singe the tarmac at the 17th Formula One World Championships, trying to wriggle their way around 16 corners 60 times to see the coveted chequered flag. The Indian national anthem will be heard for the first time in the F1 arena at 2.46 that Sunday afternoon.

Vicky Chandhok will be there, and will be an elated man. Gone are the days when the current President of the Federation of Motor Sports Clubs of India had to pay Doordarshan for a two-hour slot to bring the world's richest sport to Indian viewers. "That was the first time in the history of F1 that somebody had to pay for telecast," says Chandhok, whose son Karun is the Indian F1 driver of Team Lotus.

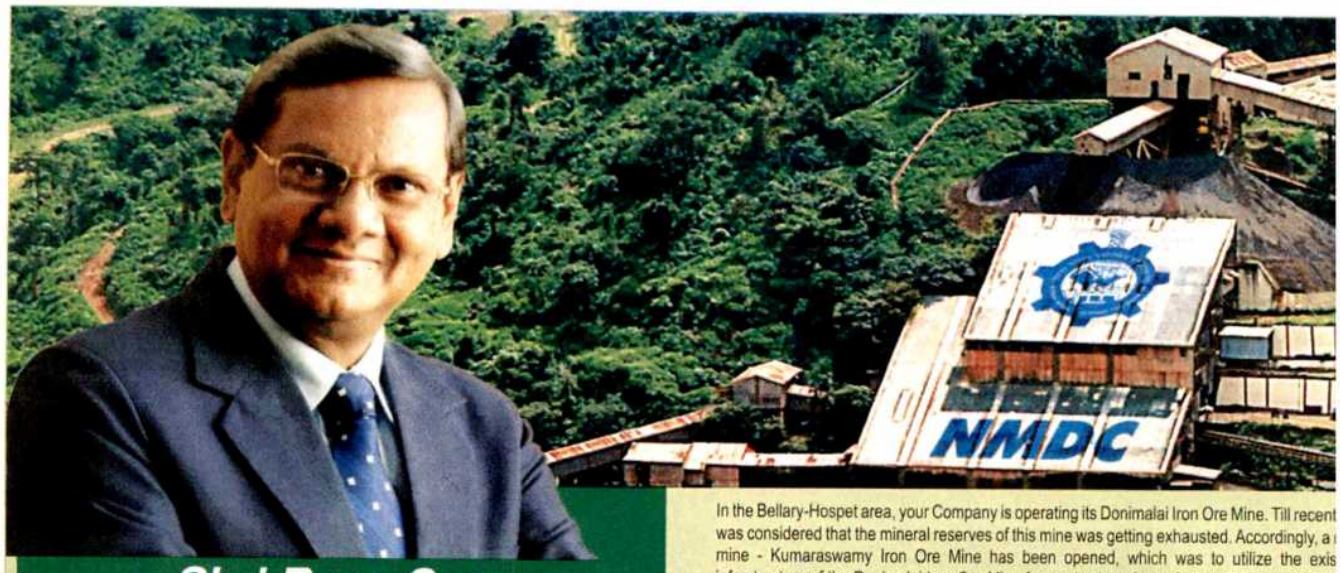
How times have changed! According to media reports, ESPN has sold out its inventory of 800 advertising seconds during each race, at ₹1.5 lakh per 10-second slot.

"After the Olympics and the FIFA World Cup, F1 is perhaps the most watched sport globally," says Karun. Viewership has risen steadily in recent years. Formula One Management's figures say TV viewers increased from 520 million in 2009 to 527 million in 2010, spread over 187 countries. Coverage hours rose from 14,500 in 2009 to 16,000 in 2010.

Much of the excitement is about corporate patronage. For example, Vodafone, which has partnered with the McLaren Mercedes team since 2007, is looking forward to the event in India, where it has the second largest subscriber base. "We hope it will mark another step in building stickiness with the fan base," says Anuradha Aggarwal, Vice President, Brand Communication and Insights, Vodafone India.

Some of the money has come F1's way at the expense of cricket, a sport so dominant in India that it leaves little room for others. Airtel bagged the title sponsorship of the race for about $7 million (₹34.4 crore), according to media and industry sources. Not long ago, it walked out of its title sponsorship deal for Champions League Twenty20 three years early, and may be patting itself on the back, given low viewership. "Unlike cricket, F1 caters to the top of the pyramid, and marketers seek qualitative returns," says Punitha Arumugam, CEO of media-buying agency Madison. Mohit Beotra, Head, Emerging Business, Bharti Airtel, concurs. "This sport is relevant to India, especially given the 14 per cent growth in the $40-billion sports marketing business."

It may be a good time for cricket's rivals to take the crease. The recent battering of the Indian cricket team has won it no new fans. But the true test for other sports will be when the IPL money-spinner comes around. ◆



Shri Rana Som
Chairman-cum-Managing Director's Speech at the 53rd AGM held at Hyderabad on 20th September, 2011

Dear Shareholders,

I have great pleasure in welcoming you all to the 53rd Annual General Meeting of the Company and present to you the Annual Report of your Company for the financial year 2010-11.

The Directors' Report and the Audited Balance sheet of your Company for the period ended 31st March, 2011 have already been provided to all the shareholders of the Company. With your permission, I take them as read.

THE ECONOMY

The world economy is passing through a difficult phase though it may be premature to conclude that global economy is moving towards double-dip recession. Nevertheless the global economic crisis appears to be deep rooted. Recent downgrade of USA by credit rating agency has already impacted the global economy. It may have wide ranging effect on the developed world and has the potential to slow down the growth rate of the developing economies, which were till recently showing the sign of resilience. Most of European countries are also struggling hard to tackle their sovereign debt crisis.

In this period of uncertainties, Indian economy is also passing through a challenging phase. High inflation, rising prices and higher interest rate have slightly dented the growth momentum. India's real gross domestic product (GDP) has grown only 7.7% during April'11-June'11 period against a year-on-year increase of 8.8% in the same quarter of 2010-11 and 8.5% during the entire year 2010-11. Economists are expecting further moderation in the GDP growth rate in the quarters ahead. But while growth has moderated, India still remains one of the fastest growing economies in the world. This is the second successive quarter when growth has slowed below 8% mark but still remains robust compared to global economies.

The growth prospects for the year 2011-12 seems to be relatively subdued compared with the previous year. Global uncertainties, high global oil and commodity prices, persistent inflationary pressures, rising input costs, rise in cost of capital due to monetary tightening and slow project execution are some of the factors that are weighing on the growth.

THE INDUSTRY

Crude steel production in India, which was approximately 65.83 million T in 2009-10, went up to 69.57 million T in 2010-11 making India the 3rd largest steel producer in the world.

The demand for iron ore in 2010-11 both in domestic market and export market remained encouraging primarily due to favourable demand from China.

OVERVIEW OF PERFORMANCE 2010-11

The year under review has been a historic year in which the Company has established new milestones in its performance in all parameters. For the first time in the history of the Company, turnover has breached the Rs 10,000 crore mark and Profit after Tax has crossed Rs 6,000 crore mark, the highest ever in its history. The sterling performance of the Company can primarily be attributed to increased offtake by domestic customers, improved rake supply by railways and increase in iron ore price.

Due to improved production and availability of iron ore from its mines, your Company has been able to meet the demand of its long-term customers both in domestic market and export market.

AUGMENTING OF IRON ORE RESERVES

NMDC's biggest strength has been in its possessing large reserves of high grade Iron Ore at its existing mines at Bailadila and Donimalai. The company has been consistently active in carrying out planned exploration works in its existing mines. The Company has invested in the best of equipments available for the said purpose. Your Company has procured two new generation drills capable of drilling upto a maximum of 800 m even in hard rock formations. I am happy to inform that the employees of the Company have not only learnt new techniques but have successfully deployed the new machines and have drilled more than 7800 m of exploratory drilling with an average depth of 335 m in the hard rock formation of the existing mines of the Company.

The above studies have indicated additional reserves of 111 MT of Iron Ore in Bailadila sector alone. Considering the geological continuity of ore body, it is expected that additional occurrence of 611 MT of iron ore reserves could be established.

In the Bellary-Hospet area, your Company is operating its Donimalai Iron Ore Mine. Till recent was considered that the mineral reserves of this mine was getting exhausted. Accordingly, a mine - Kumaraswamy Iron Ore Mine has been opened, which was to utilize the exis infrastructure of the Donimalai Iron Ore Mine for production of Iron Ore. With further geolog exploration, additional mineral resources of 20 MT in Donimalai Iron Ore Mine is anticipate extend the present life of Donimalai Iron Ore Mine by another 4 - 5 years. Considering the abov is now proposed that in Bellary-Hospet Sector, the Company would be operating two Iron Mines i.e. Donimalai and Kumaraswamy Iron Ore Mines. With this, the Iron Ore available f Bellary Hospet sector would also drastically improve.

The iron ore reserves of your Company which was 1455 MT as on 01.04.2010, has gone u 1565 MT as on 31.03.2011 and is set to go up to 2176 MT that the exploration results fur established.

The Company also embarked upon ensuring 'zero-waste-mining' in its mines. Due to sustai R&D efforts, it is now proposed that the BHJ & BHQ ore could also be valuably beneficiate produce around 64 - 65% Fe grade Iron Ore. Your Company proposes to set up a regular plan process the above ores at Donimalai.

Apart from the above, your Company continues to pursue its application for grant of mining lea in India including for Deposit-4 in Chhattisgarh and Sasangada in Jharkhand. It is also explo the possibilities of entering into suitable joint ventures for minerals outside the country to exten reserve base.

MAJOR HIGHLIGHTS OF THE COMPANY'S PERFORMANCE

The Company's performance for the year under review under operational and finan parameters are summarized briefly as under :

OPERATIONAL PARAMETERS

- The Company achieved production of 251.55 lakh tonnes of Iron ore for the year under revi vis-a -vis 238.03 lakh tonnes in the previous financial year, recording an increase of 6.0%.
- Sale of Iron Ore to domestic industries recorded 237.52 lakh tonnes as against the previ year supply of 206.53 lakhs tonnes, recording an increase of 15%. Total exports of Iron Ore dur the year was 25.63 lakh tonnes against 34.32 lakh tonnes in the previous financial year 2009 recording a decrease of 25%.
- Sponge Iron Production for the year under review was 38962 tonnes.

FINANCIAL PARAMETERS

- Turnover for the year under review was Rs 11369 crore vis-a-vis Rs 6239 crore in the previ financial year 2009-10, recording an increase of 82%.
- Profit before Tax (PBT) was Rs 9727 crore vis-à-vis Rs 5207 crore in the previous finan year 2009-10, recording an increase of 87%.
- Profit after Tax (PAT) was Rs 6499 crore vis-à-vis Rs 3447 crore in the previous financial y 2009-10 recording an increase of 89%.
- Net worth increased to Rs 19200 crore as on 31.03.2011, 35% higher than Rs 14256 crore the previous financial year 2009-10.
- The Company has paid interim dividend @ 115% on the equity shares of Re 1/- e aggregating Rs 455.94 crore in February 2011. The Board has recommended subject shareholder's approval today, payment of final dividend @ 215% on the paid up equity sh capital of the Company aggregating Rs 852.41 crore. The total dividend payout for the year un review aggregates Rs 1308.35 crore.
- As an MOU signing PSE with the Government of India, your Company's performance dur the year qualifies for "Excellent" rating.

NEW PROJECTS & BUSINESS DIVERSIFICATION

As you are already aware, NMDC as part of its diversification plan through value addit to its core activity of iron ore mining, is setting up a 3 MTPA Green field Integrated St Plant at Nagarnar, district Bastar, in Chhattisgarh State. The project is envisaged with investment of about Rs 15525 Crore and is expected to be commissioned in the year 20 Subsequent to acquisition of land in August, 2010, various enabling works for the Steel Plant site leveling, construction of plant entrance road, Plant road network and drainage system etc going on in full swing. Out of 08 Major Technological Packages, orders for four packages of value amounting to Rs. 5950 Crore in total have been placed with different internationally reput organizations. These are Sinter Plant, Blast Furnace, RMHS and Coke Oven packa Construction work for these major packages will start by September/October 2 Orders for other major technological packages will be placed during this financial year. Actions placement of order for some important auxiliary packages have also been initiat Simultaneously construction of residential buildings for accommodation of the employe of NMDC and other support organizations is also going on. In a nutshell, activities at differ fronts have gained momentum. In order to augment its production capacity, construct of Bailadila 11B project with a capacity of 7 million tonnes has been taken

total project is being executed through seven packages. All packages have been ordered and is in progress. Expected date of completion is 31.03.2012. Kumaraswamy Project is ned for a capacity of 7 mtpa. The total project is being executed through 6 packages. Work has awarded for 3 Packages. Design and engineering is in progress for these packages. Site is also in progress. Tender for package-4 has been floated. Draft tender documents for kage is under approval. Offers received for Package 5 is under process.As regards, 1.2 mtpa t Plant, at Donimalai, the project is being executed through 6 packages. All major packages been ordered and work has commenced at site. Various other projects are in pipeline.

BAL INITIATIVES OF NMDC

ou are aware, your Company has formed its international global investment division - NMDC al in order to focus expanding its geographical footprint around the world and augmenting its urce base. The vision of NMDC Global is to secure future supplies of critical raw materials for ountry's steel and fertilizer production and energy security by acquisition of overseas mineral ts of iron ore, coking coal, Manganese ore and fertilizer raw materials i.e. rock phosphate and sh. This is basically in keeping with its three fold approach - securing energy requirement, structure development and ensuring food security.

Company has signed a Memorandum of Understanding with OJSC Severstal, Russia, to jointly p an Integrated steel plant with an initial capacity of 2 million TPA in Karnataka. A model of plete vertical integration of the steel making resources to product generation is being pursued.

nt venture agreement was signed and a JV Company is being incorporated with M/s Kopano latla Investment Company (Pty) in the Republic of South Africa for exploring and exploiting the eral resources in South Africa.

ACT OF HON'BLE SUPREME COURT JUDGEMENT ON MINING IN BELLARY

uld like to shed some light on the recent judgment passed by the Hon'ble Supreme Court in ect of suspension of mining operations in Bellary region.

Hon'ble Supreme Court suspended mining operations and transportation of iron ore in the admeasuring 10868 ha in Bellary District vide its order in SLP(C) No 7366-7367/2010 dated 7.2011. NMDC complied with the said order and stopped all the mining activities including sportation of iron ore in both the mines i.e. Donimalai & Kumaraswamy. Subsequently, Hon'ble eme Court of India at the hearing held on 05.08.2011 inter alia made the following order :

n order to balance the environmental concerns with economic development and keeping in mandate of Article 21 of the Constitution including inter generational equity, the Court ed NMDC alone to operate its mine at Donimalai (mining lease area 608 ha) and M(mining lease area of 647.5 ha) to the extent of providing 1 million ton per month mencing on 6th August, 2011 till further orders;

t has also been clarified that no part of these production shall be exported outside India till er orders. NMDC will sell the production to states in consultation with Ministry of Steel, rnment of India.

The order of Supreme Court has made it possible to restart Kumaraswamy mines also where ng was stopped for quite some time due to Karnataka High Court order. Based on Supreme t order, distribution plan for Iron Ore to different customers has been prepared after ussions with Ministry of Steel, Government of India.

CORPORATE SOCIAL RESPONSIBILITY

g a responsible corporate citizen, your Company views its business as maximization of value all stakeholders and CSR is considered to be a vital source of competitive advantage. 'People' at heart of its philosophy and approach to CSR, NMDC is striving to carryout ningful work in the fields of Education, Health care, sustainable income generation and Agricultural development thus contributing to the Nation building. CSR activities of the Company are mentioned in detail in the Director's Report.

CORPORATE GOVERNANCE

A separate section on Corporate Governance forms part of the Director's Report. Your Company has complied with Corporate Governance norms as stipulated by the Listing Agreement/DPE Guidelines.

I would also like to inform that the Comptroller & Auditor General of India (C&AG) has not made any new observations on the Annual Accounts of the Company for the year 2010-11 and has issued "Nil Comment" certificate. This is the 7th year in succession, the company has received "Nil Comment" certificate from the C&AG except for the year 2006-07.

ENVIRONMENT MANAGEMENT

As a mining Company, NMDC is conscious of its role in preservation of environment and maintaining ecological balance. NMDC has been accredited with ISO 14001-2004 EMS by M/s DNV, Hyderabad in respect of four major production projects i.e. Bailadila Deposit-14 / 11C, Deposit-5, Donimalai and Diamond Project.

LOOKING AHEAD-OPPURTUNITIES & CHALLENGES

The remarkable growth story of India brings its own share of challenges and opportunities. Rising income level and sharp increase in consumption has also led to increase in income disparities between the haves and the have nots leading to generation of social tension. The growth story of India has to be interlinked with social, economic and environmental sustainability agenda.

Your Company as a responsible corporate citizen is very well conscious of the need for equitable growth of the country. In this pursuit, the 3 MTPA Steel Plant at Nagarnar is poised to bring a sea change in that area in the years to come. In its core area of mining, the iron ore demand both in export as well as in domestic market is likely to remain favourable during current year (2011-12) also. I am very much confident that the various growth plans will catapult NMDC into big league in the times to come.

ACKNOWLEDGEMENT

To conclude, I acknowledge that all these achievements have been possible only due to relentless and dedicated efforts, made by the employees of the Company. On behalf of the shareholders and management of the Company, I thank the Government of India, Ministry of Steel for the confidence and trust bestowed upon your Company and the opportunity given for its continued growth and expansion. I sincerely assure you that the Company will continue to grow in the years ahead.

Thank you and Jai hind.

Place : Hyderabad
Date : 20th September, 2011

(Rana Som)
Chairman-cum-Managing Director

NMDC Limited
(A Government of India Enterprise)
10-3-311/A, Khanij Bhavan, Castle Hills,
Masab Tank, Hyderabad - 500 173, INDIA.
Website : www.nmdc.co.in

Note: *The above statement does not purport to be a record of the proceedings of the AGM of NMDC held on 20.09.2011 at Hyderabad*

DIRECTORS AT 53rd AGM

eft to Right : Shri Kumar Raghavan, Company Secretary; Shri S.K.Das, Director(Commercial); Shri Y.K. Sharma, Director; hri N.K. Nanda, Director (Technical); Shri Rana Som, CMD; Shri S. Thiagarajan, Director (Finance); Shri R.N. Aga, Director; Shri G.B. Joshi, Director (Personnel);Shri Subimal Bose, Director (Production)

The New Money Order

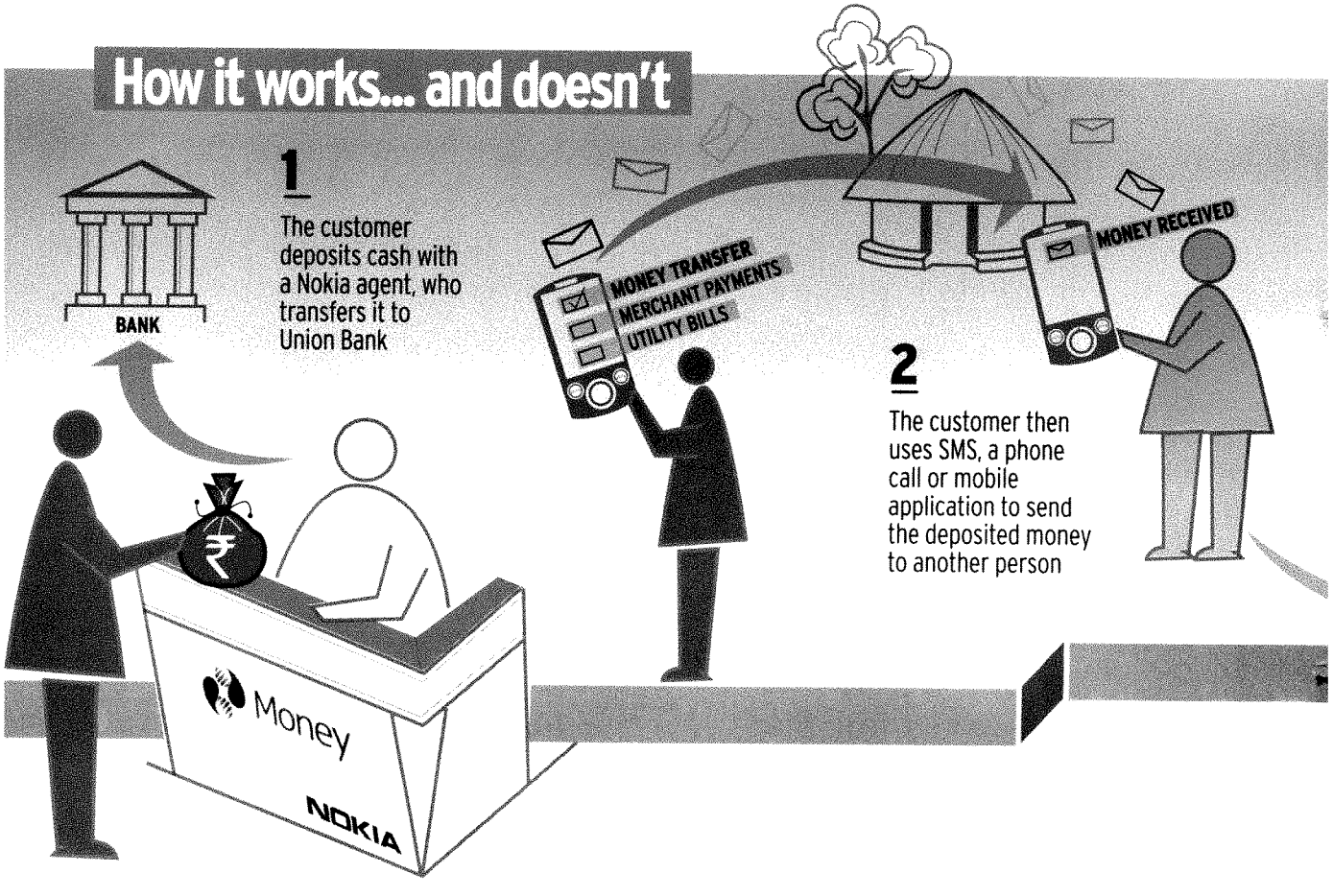
Nokia is pioneering mobile payments in India, but it needs to straighten out many kinks – soon.

By ANAND J.

Sakkir Alam is a security guard at a hospital in Ernakulam, Kerala. Shihas Mohammed who owns a mobile phone shop near the hospital, where Alam recharges his prepaid phone, introduced Alam to mobile payments, a service offered by Nokia Money in collaboration with Union Bank and Yes Bank. Alam, 21, uses the service to send money to his parents in his village in North 24 Parganas district, West Bengal.

This venture, launched in pilot mode in January 2010, now covers some 130 locations. It offers person-to-person money transfers, and payments to merchants and utility companies. Customers without a credit card or bank account can use it. But the last mile – the receiving end – is where it falters, especially in person-to-person transfers.

So while Alam can easily deposit money or recharge his mobile using his Nokia Money account, he finds it harder to withdraw cash, and so do his parents in the village. There are several reasons for this. Most agents are owners of small shops which sell mobile recharge coupons. If the shop is closed, Alam cannot get his money. Even if it is open, the agent is unlikely



to have the money. Most agents find it risky to keep cash, and cannot anticipate whether their next customer will want ₹500 or ₹50,000. So Alam must wait while the agent trots off to the bank to bring his money.

In the village, Alam's parents face a different set of hurdles. There is no agent in any village in the area, so they use the ATM card that Alam got when he opened his Nokia Money account. But the nearest Union Bank ATM is an hour's bus ride. Other banks' ATMs charge a ₹20 fee.

Agents say customers use the service to recharge mobiles, rather than transfer funds or pay bills. Gary Singh, Managing Director and General Manager of Nokia Money (Financial Services), is unperturbed. "Every service and customer goes through an evolution," he says. "People become comfortable with a service over time."

The mobile payments market is growing. According to a May 2011 Boston Consulting Group report titled *Digital India: The Rush to Mobile Money*, the number of users of such services rose from 400 in August 2010 to 11 million in May 2011. The report estimates that person-to-person transactions for domestic and international remittances will add up to $70 billion in 2015/16.

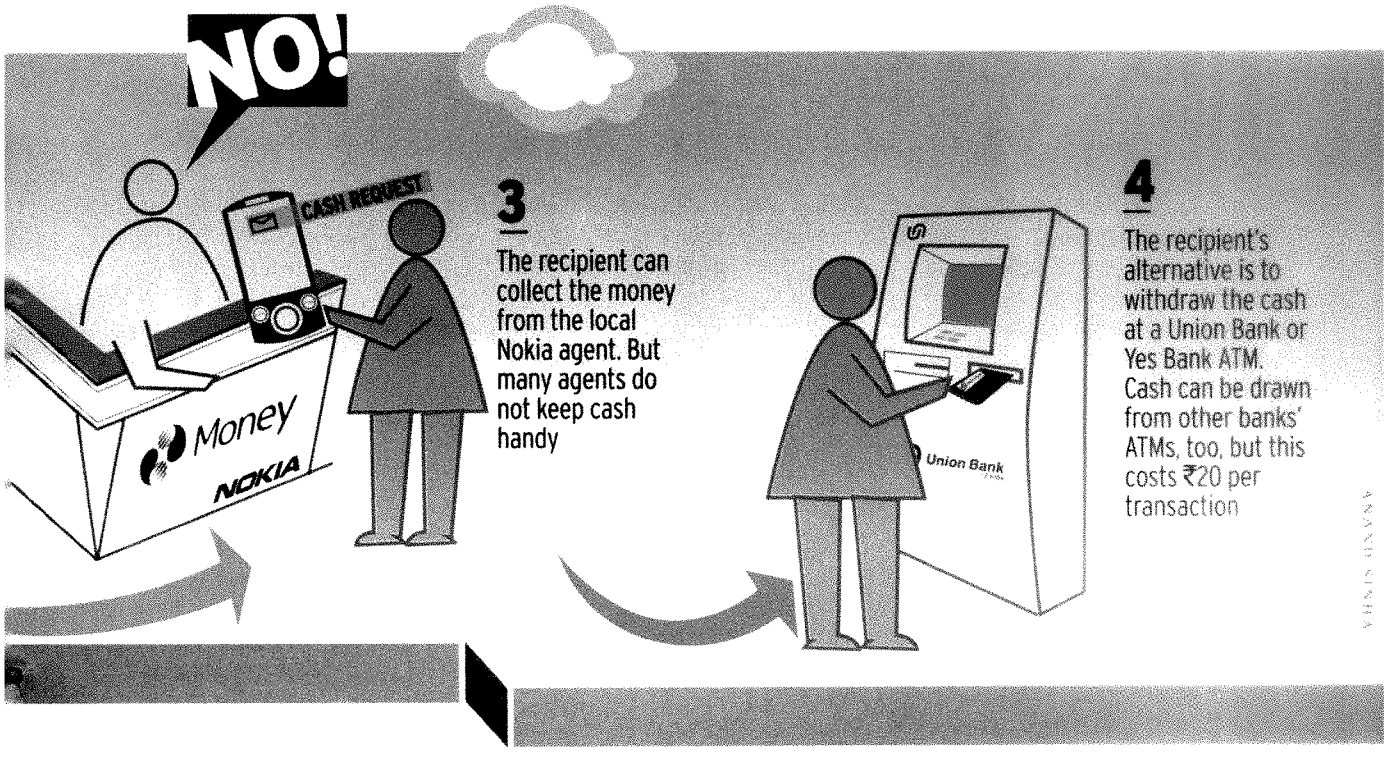
AGENT VOICES
I haven't even recovered the ₹5,000 I deposited with Union Bank for agent status
Suhas Yawale, 24, Mumbai

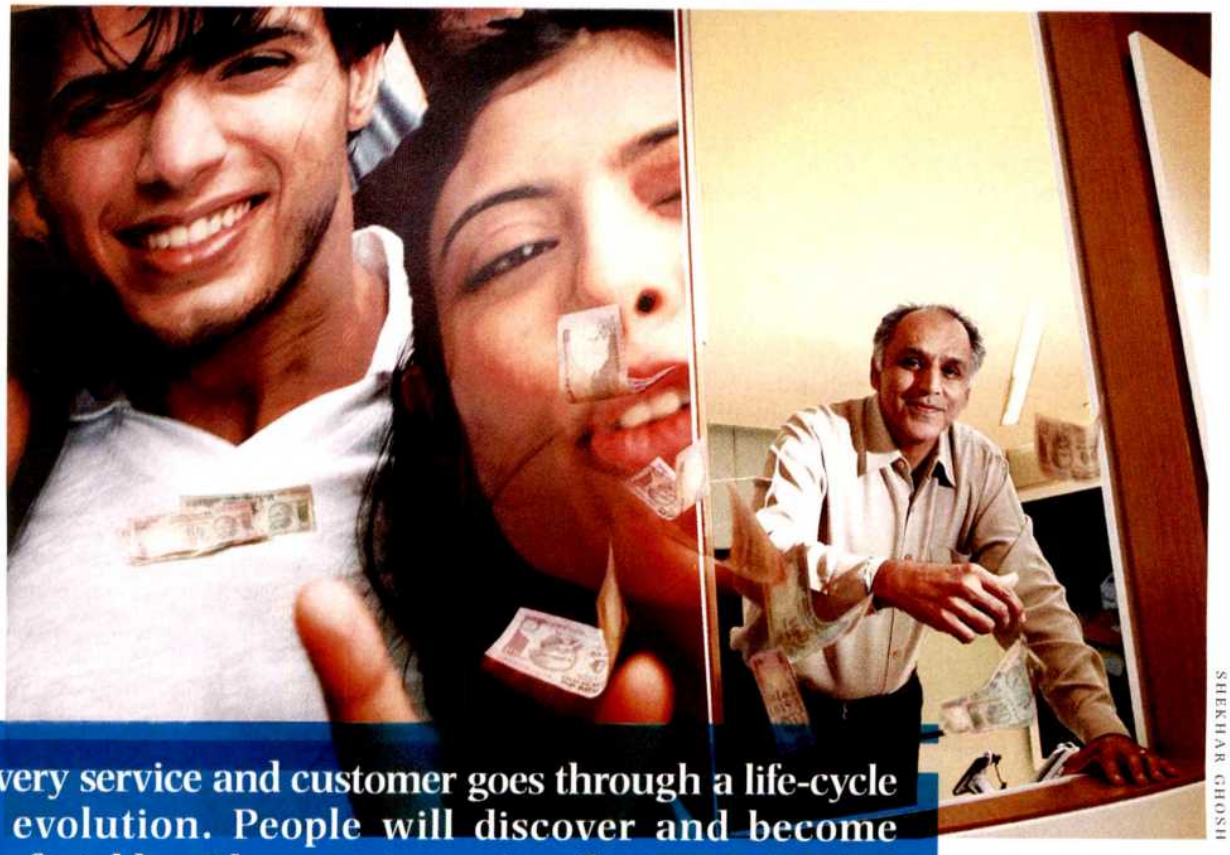
Airtel also has a mobile payment service, called Airtel Money, in the National Capital Region and Chennai. Another Bharti group company, Comviva, provides back-end technology to Aircel and Vodafone for mobile payments, but these projects are in the pilot stage. Nokia Money not only covers more ground, but can also be used by anyone. Airtel Money is open only to Airtel customers.

Signing up is easy. New customers must present identification as defined in the Reserve Bank of India's Know Your Customer, or KYC, guidelines. They can open prepaid accounts for deposits up to ₹50,000. The service is activated quickly, and there is no minimum balance.

Unlike Nokia's service, Airtel Money does not do person-to-person transfers, because it gathers less KYC data than RBI requires for this. Although Nokia's service covers more locations, it focuses exclusively on cities, making it harder for users – many of them migrant workers – to send money home.

Nokia Money agents get a commission for every deposit received and charge customers ₹25 for every withdrawal. For sums in hundreds, the fee may seem high, but Singh says customers accept it as a condi-





SHEKHAR GHOSH

"Every service and customer goes through a life-cycle of evolution. People will discover and become comfortable with a certain service after some time."

Gary Singh, Managing Director, Nokia Money (Financial Services)

tion for the convenience.

The ecosystem of mobile payment services is well developed in emerging economies such as Bangladesh, Kenya, the Philippines, and Senegal. Singh says services in India cannot be compared with the likes of, say, M-Pesa in Kenya, whose economy is dominated by a single telecom company (Safaricom) and single bank (Commercial Bank of Africa). When more companies offer mobile payment services here, he says, accessibility will improve.

At present, the regulations of the National Payments Corporation of India, which monitors the mobile payments industry, do not allow money transfers across service providers. For example, someone with an Airtel Money account cannot transfer cash to a Nokia Money account. The industry expects this will change by late 2012, and that RBI will make it easier for customers to use any ATM by the year-end.

But Nokia Money has problems. Agents say it has not paid up as promised. Mehtab Alam, an agent in Delhi's Daryaganj, says he may quit the dealership. "They promised me money for adding customers, plus one per cent of deposits," he says, and adds that he has got no commission in four months. Asked about agents not receiving dues, Singh says it is "probably not true".

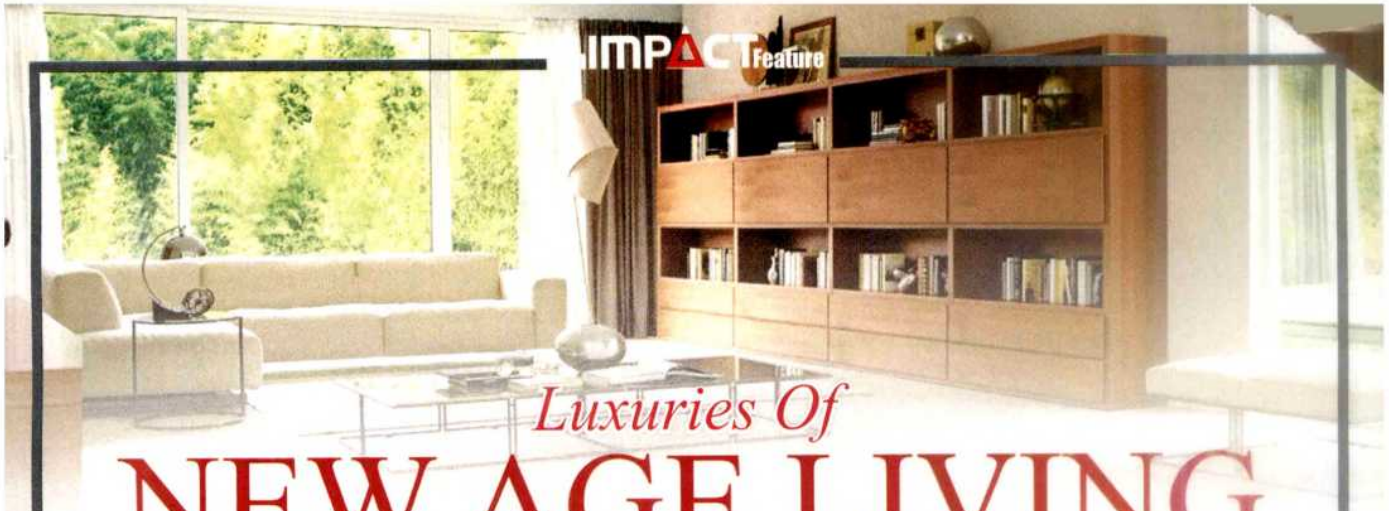
Alam also says that most of his customers have ATM cards, so he makes no money from withdrawals. Mohammed, the agent in Ernakulam, says he offers mobile payments as "a social service", although the commission is low.

"This shows Nokia is not listening," Kunal Pande, Director at management consultancy KPMG in India and co-author of a research report titled *Mobile Payments Outlook*, published in July 2011. He says subsidising the service now may help it take off later.

RBI sees mobile payments as a tool for financial inclusion. Banks stand to gain, too. They get deposits on which they pay out no interest. The Boston Consulting report says agents service customers for less than 50 paise per transaction, compared to ₹40 to ₹60 at a bank branch. Union Bank's General Manager for Alternate Delivery Channels, Lalit Sinha, says: "We get customers who cannot be reached through traditional channels."

KPMG's Pande says Nokia Money should keep agents happy so they continue to offer the service. The game will likely change substantially over the next two years. ◆

AGENT VOICES
This dealership is not worth the hassle. I don't care, really
Abhishek Jaiswal, 27, Allahabad



Luxuries Of NEW AGE LIVING

It's home smart home with technologically advanced systems and aesthetically superior interiors making a dream house actually seem like it's meant to be.

It is the age of intelligent living and with the rapid economic growth, the new age buyer is spoilt for choice and what we have today is a whole new class of elite looking for houses that can make excellent conversation starters. The real estate developers have opened their doors to a whole new segment of clientele who are all set to rake in the moolah for these impeccably advanced living options. A whole new range of furnishings, bath fittings and futuristic furniture have led to the advent of commendable designer homes that come custom made not just with the best state of the art technology but also with aesthetic high end interiors. Touch sensitive lighting, mood lighting, aroma painted bathrooms, customized carpeting and draping and the works are all the icing on the cake when it comes to buying yourself a smart home.

The demand for super luxury new age home is on a steep rise with over 40 per cent increase from the last year. Worth mentioning features of these snazzy and new age houses are digital keypads that banish the need for scrounging in your bag to find your house keys. Electronically well equipped apartments ensure that the houses are capable of running futuristic applications like 3D TV, UPS backed TV points, copper television lines, smart wiring, building management services, 24/7 generator power and much more.

The Indian real estate market has given a warm welcome to smart new age living and this spoilt to death concept of intelligent living is definitely catching on. Go ahead and splurge, after all having a house that is the talk of the town is a different high altogether!

'INTERNATIONAL CITY', GURGAON DEVELOPED BY SOBHA DEVELOPERS Ltd.

Sobha Developers Ltd, a Rs 1500 crore company and one of the largest backward integrated real estate player in the country, is developing a villa community, named 'International City' in association with Chintels Group and QVC Realty Co. International City, located near IGI Airport is around 500 meters from the upcoming Northern Peripheral Road connecting Dwarka in Delhi to NH-8 in Gurgaon. The project is 10 minutes from the proposed Diplomatic Enclave and Dwarka, 15 minutes from IFFCO Chowk (Gurgaon), 5 mins from Palam Vihar and 25 minutes from the plush South Delhi.The premium township will be a perfect blend of cosmopolitan sophistication, magnificent space planning, top-notch amenities and flawless execution.

The township will comprise of super luxury villas and row houses ranging from 692 sq yd to 270 sq yd with complete social infrastructure. Dedicated play zones, ample green spaces throughout the township, a grand clubhouse with five-star facilities and amenities, sewage treatment plants, organic waste converters, rainwater harvesting pits, solar lighting, 24x7 auto switch, central power back-up, provision for piped gas network, fibre optic cabling etc are a few of the many amenities offered. The villa units with 692 sq yd are G+2 with basement, having 5 bedrooms, 4 car parks, double height ceiling, private elevator, study, gymnasium, front and rear lawns, 2 terrace gardens, 3 utility rooms. Villa units of size 500 and 400 sq yd are also available.

The luxury row houses of 270 sq yd, is a G+1, 4 bedroom offering. The amenities include two side by side car parks, dining area with an extended sit-out space, utility room and large, convenient terrace space.

Mr. P N C Menon, who has three decades of experience in creating interiors of palaces and high rises in the Middle East, founded Sobha Developers in 1995. Sobha went public through its initial public offering in 2006; the issue got oversubscribed 126 times!

Sobha has completed 72 residential projects and 193 contractual projects covering 43.22 million sq ft of area as of June 2011. Sobha has a footprint in 21 cities and 12 states across India. The company has also set up a training centre, Sobha Academy, which offers world-class training in building construction with state-of-the-art facilities.

Sobha Developers has recently launched a 150-acre upscale villa community, 'International City', at the edge of delhi, in Sectors 109, 106, 108 in Gurgaon.

RUNWAL GROUP BRINGS GRANDIOSE THAT IS CALLED RUNWAL ELEGANTE

Runwal Group, one of the leading real estate players of Mumbai offering residential, commercial & retail segments launches Runwal Elegante, a world class residential property at Andheri and a landmark luxury project. The vision of the promoters is to offer a premier destination for living with opulent state of the art facilities. Located in the hub of the city, Runwal Elegante premium residences constitute 3 towers that are designed to offer a seamlessly exclusive living along with a kaleidoscope of activities and amenities. It offers well-spaced 2.5, 3, 4 & 5 BHK premium apartments with multi level of podium car parking. The amenities that Runwal Elegante offers include multi level parking space for cars with valet service, iPad controlled homes, senior citizen deck, lush green gardens, children's play area and crèche, security through video door phones and CCTV surveillance, secured access to podium parking with RFID tags and rainwater harvesting.

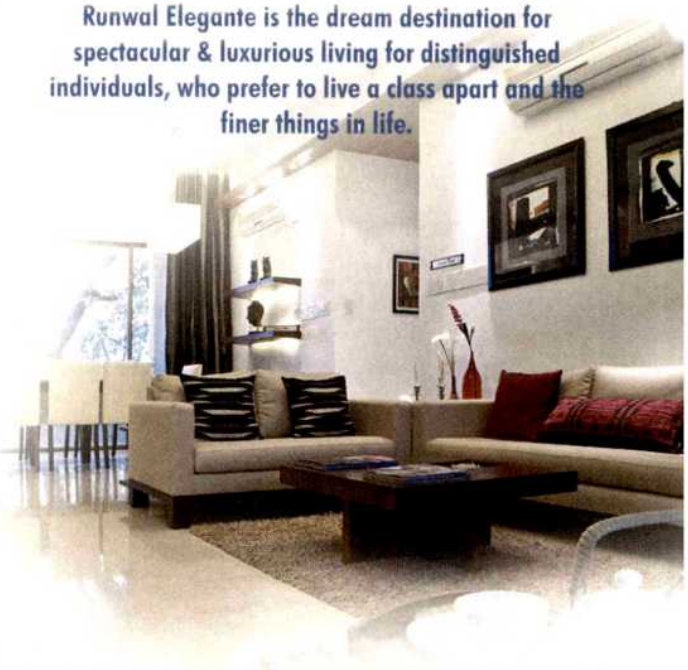
One of the highlights of Runwal Elegante is the Galileo Deck which is 400 feet above the city. It lets one experience the vastness of the sky and at the same time languidly gaze upon the city below along with pampering oneself at the spa, going for a dip at the infinity pool where the water extends to meet the sky, run among the clouds as to jog on the jogging track and gear up weary muscles at the health centre.

Vvikas Aroraa , Director – Marketing, informs "Today's customers are brand conscious. And we are pitching Runwal Elegante for those who live a luxurious life. Runwal Elegante, would become a landmark luxury residential project at Lokhandwala, Andheri (w), Mumbai, we are launching for the first time THE GALILEO DECK - a full Terrace Garden spanning 3 towers at over 400 ft height. Conceptualized as million dollar homes for Millionaires , Runwal Elegante is build to circumference all the needs of luxurious living.

Many celebrities have already pre booked their homes for RUNWAL ELEGANTE. Runwal group is one of the leading players in several segments including construction and retail. Not just that they also make sure that great quality work, professionalism and customer satisfaction are some of the many things the group represents.

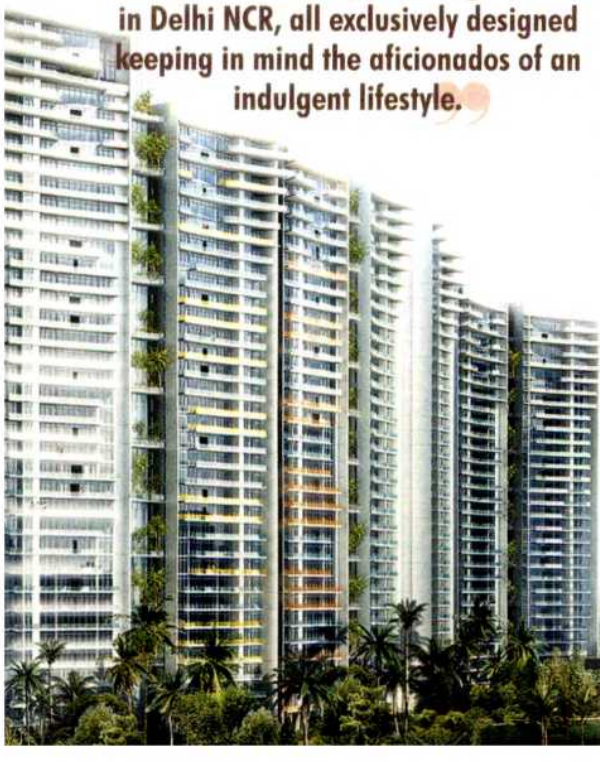
Today, Runwal Group enjoys tremendous Equity, Goodwill and is identified as an established player in the real estate market. Not just that the Runwal Group has the privilege of being recognized as a "preferred developer" of real estate by the Maharashtra Government.

Runwal Elegante is the dream destination for spectacular & luxurious living for distinguished individuals, who prefer to live a class apart and the finer things in life.



UNITECH BRINGS TO YOU THE VERY BEST IN WORLD-CLASS GOLF LIVING

"Unitech has extensive experience in developing luxury villas, lifestyle golf apartments and bespoke designer villas in Delhi NCR, all exclusively designed keeping in mind the aficionados of an indulgent lifestyle."



As an invitation to a lifestyle less ordinary, Unitech has brought to Noida, India's most luxurious, exclusive and upscale township - Unitech Golf & Country Club. "Uber-luxury residences coupled with club class living sums up the true essence of UGCC–Unitech Golf & Country Club. With a signature 9-hole golf course, night golfing facility, bowling alley & equestrian academy to boot – Unitech brings to you the very best in world-class golf living. From a clean green environment that promises to uplift your mood and rejuvenate your senses, to a 24x7 concierge service at your beck and call for you to enjoy the finer moments of life, this signature project has everything that you would only be proud of to call your home." Mr. Vikram O. Datta VP-Marketing, Unitech.

This 347-acre township just off the Noida expressway is planned around a signature 9-hole golf course. UGCC has been envisioned as a landmark in club class lifestyle, which will push the boundaries of luxury living in India. A hop away from the posh colonies of South Delhi such as Maharani Bagh and New Friend's Colony and adjacent to Amity Business School, Noida at the tri-junction of DND Flyway, Kalindi Kunj flyover and the Noida Expressway, UGCC has excellent connectivity to the rest of Delhi NCR.

The Deck at Unitech Golf & Country Club is an exclusive golf lounge experience, overlooking the signature 9-hole golf course. To compliment this grandeur and style, UGCC will provide world-class amenities- a plush 1, 50,000 sq. ft. Golf Clubhouse with a pro shop and night golfing facility, an Equestrian Club housing the most elegant stallions, a World Class Sports Academy for tennis, football and cricket, aesthetically designed Sky Lounges and gardens adorned with exquisite water bodies — UGCC will have it all. With 24x7 premium concierge services at your beck and call, indulge in the finer moments of life. Truly unparalleled in its magnificence, Unitech Golf &Country Club is a place with access only to a privileged few, who demand a lifestyle less ordinary.

The lap of luxury just got greener with Jaypee Greens

FEELING GREEN

The Jaypee Greens project from the reputed Jaypee builders have a wide array of luxury options to provide in the high end luxury homes market. Whether it is their concept of greenery or their intelligent recreational facilities, Jaypee builders have come up with a flagship project that promises to be worth it till the last buck.

Jaypee Greens is a breath of freshness and charmed landscape that is no less than spectacular. Besides providing premium housing facilities, the Wish Town in Noida also offers state of the art recreational facilities within the township. It comes with social club facilities with community halls, sports facilities health and fitness centre, party rooms in all its residential pockets. It has a Town Centre with facilities like art galleries, restaurants & cafes, boutiques and high-street retail, Shopping Malls and Multiplexes. Its wide landscaped parks and open areas for jogging, cycling and leisure make it a perfect destination for its residents, especially for children.

Jaypee Greens Sports City is yet another feather to the Jaypee family's hat with the best infrastructural facilities and world class educational institutes, healthcare services, research and development Park, cultural city centre for International Art, Religion and History and recreational facilities. The best offering by the Jaypee Group however is stated to be the much awaited 'Golf Homes'. To satiate the yearning of golf lovers, Jaypee Greens offers full golf courses within the premises of the townships boasting of the Greg Norman designed eighteen hole golf course at Jaypee Greens, Greater Noida.

There is nothing better that can be offered in terms of living spaces other than some lush greenery and fresh environment. Jaypee Greens as the name aptly suggests has prudently premeditated its projects with spacious living spaces offering awe-inspiring views of the landscape. One can enjoy all the luxuries of life with its modern world-class residences set amidst the infinite glory of nature with a number of landscaped parks, thematic gardens and lush green open spaces. The crowning glory will be the 15.7 km Green Park Boulevard being created at the Jaypee Greens Sports City. Jaypee Greens has given its residents a matter of pride to be living in the lap of nature and luxury at the same time. A feat that is really hard to achieve is to create conducive spaces for living along with lush green surroundings in a day and age like today, surely Jaypee Greens emerges a champion in the Indian real estate market.

Now Aiming at the

CavinKare, which began the sachet revolution, is now working towards a global

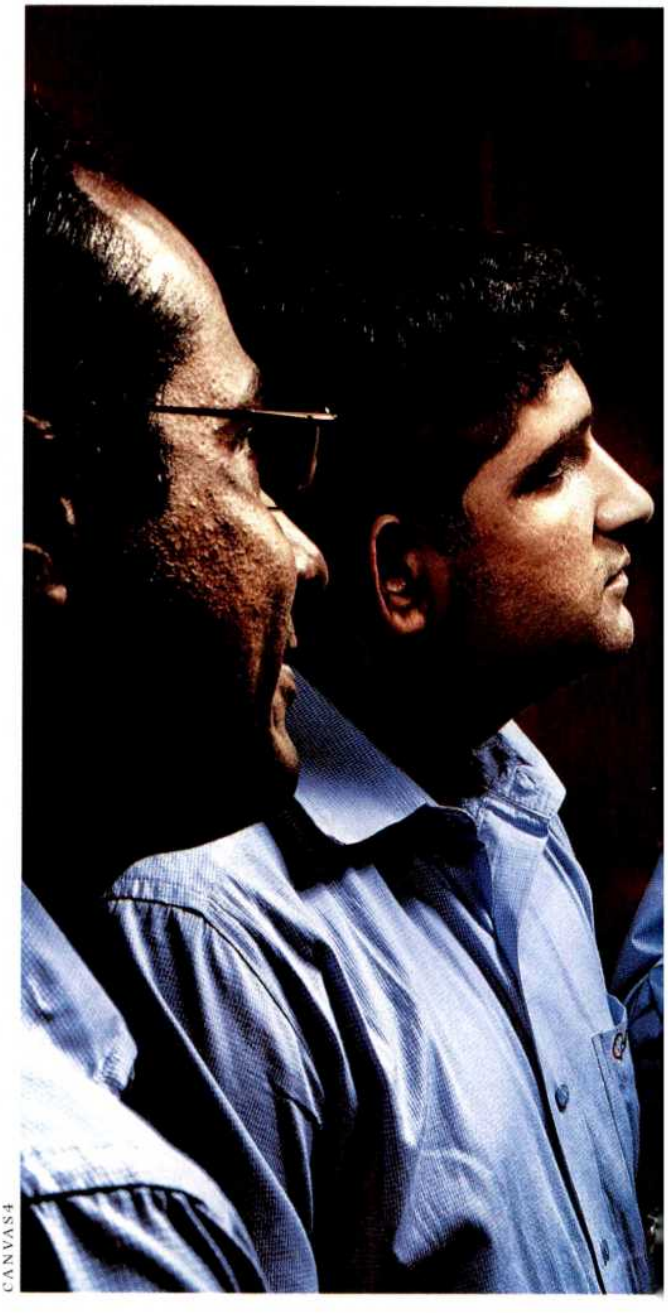
In June 2010, C.K. Ranganathan, 50, founder of CavinKare, suffered a drug allergy. It affected his immune system and he was advised rest in an isolated, sanitised environment to avoid infections. The enforced six-month break gave him much-needed time to reflect on the business he founded as a partnership firm back in 1983.

On the face of it, Ranganathan had reasons to feel satisfied. In business circles, CavinKare is a legend – the David of the fast moving consumer goods, or FMCG, sector, which successfully took on Goliaths like Hindustan Unilever, or HUL, and Procter & Gamble, or P&G. CavinKare's first and most memorable innovation, in 1983, was the sachet: it sold shampoo in tiny, low-priced sachets at a time when the big players only marketed it in high-priced bottles. By doing so it discovered a vast, untapped market and forced its big rivals to follow suit. Today 87 per cent of shampoos sold in India are in sachets, of which CavinKare has a 30 per cent share. In 2010/11, it grew a respectable 22 per cent, with revenues touching ₹1,040 crore.

Yet Ranganathan was worried. He was neither happy with his company's growth rate nor with the kind of innovations his teams were suggesting. He was concerned that around seven of every 10 innovations presented to him were aimed at the relatively low-end segment of consumers. No doubt it was this segment that brought CavinKare its initial success, and still provided about 60 per cent of the company's revenues, but Ranganathan wanted to target the premium segments, where margins were much higher.

Another major worry was the lack of adequate leadership down the line. "Growth is directly proportional to a strong leadership pipeline," he says. He also felt that CavinKare had become a somewhat reactive organisation and his people were not learning enough. "Innovation is important but without the right culture, it cannot be sustained."

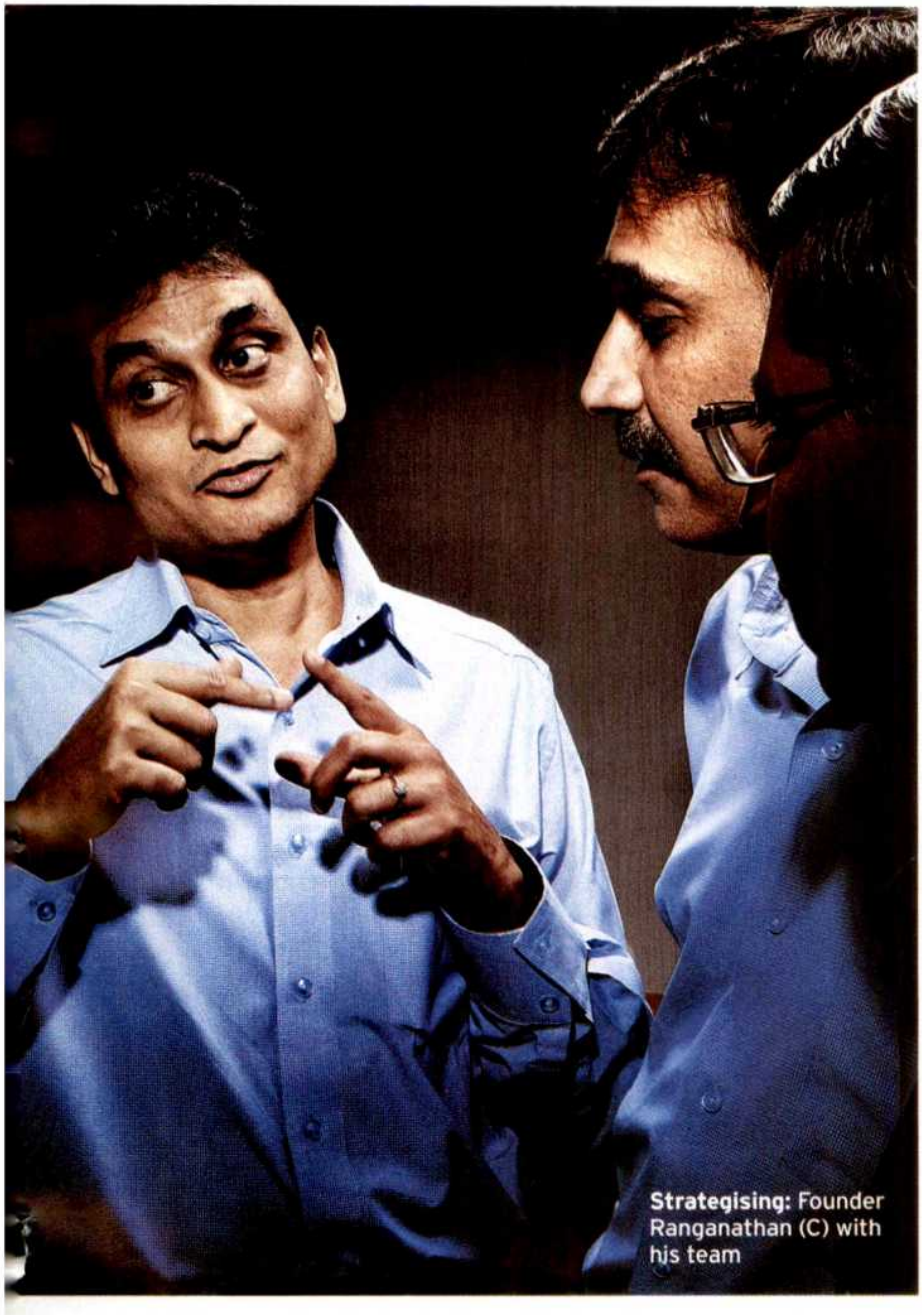
Ranganathan got back to work in December 2010 with definite ideas about how he wanted CavinKare to change. He intended his company to grow much bigger and acquire not only a pan-India presence but a



CANVAS4

High End

presence. By N. MADHAVAN



Strategising: Founder Ranganathan (C) with his team

Quick Takes

THE OBJECTIVE

To make CavinKare an enduring organisation, with a global presence and a strong line-up of luxury brands

THE PRESENT

It is a strong regional player with primary focus on the 'bottom of the pyramid' segment

THE CHALLENGE

The organisation needs to reinvent itself to bring about the change

THE STRATEGY

Change the company from within to ready it for the next level of growth

NEED FOR CAUTION, CAREFUL PLANNING

SUBBU SUBRAMANIAM N.
Founder,
MCap Fund Managers

CavinKare has distinct strengths that it has built upon to reach more than ₹1,000 crore in revenues. Its most prominent characteristic has been innovation. But the company should be aware that while innovation is a strength and quick action an advantage, it should not drive this at a pace that will upset the apple cart.

Today, the cost of building a new brand has increased significantly and the mortality of brands is high. Judicious and rational allocation of capital is essential to build businesses to critical mass.

"CavinKare's projected growth rates are not unrealistic"

We can identify three phases in CavinKare's progress and growth: LOCAL – launching local products for local market at local prices; GLOCAL – launching global products for local markets at local prices; and GLOBAL in aspirations, to launch global products for local markets at global price points! Each new phase is almost like building a new business. Distribution, branding, communication, packaging – the processes are completely different.

As far as the entry into services (CavinKare has a small, Vegnation-branded restaurant business) is concerned, the control systems have to be totally different from those in the products business.

CavinKare's projected growth rates, although ambitious, are not unrealistic. The tailwinds of eight per cent economic growth, together with the fact that the company is addressing market segments like deodorants, packaged foods and services, all of which are growing at around 16 per cent, or twice the GDP rate, will work in its favour.

The company should be conscious that while its action bias can be maintained and frequent meetings are all very well, the plans formulated must have components of both long-term strategy and short-term tactics.

global one, too, without losing the agility of the small player. His first task was to get the employees to become more achievement oriented. He introduced a new working system for better and faster product development, shifted CavinKare's marketing office from Chennai to Mumbai and began looking around for acquisitions and tie-ups to bring premium products under his company's umbrella. The workforce was divided into creators (research and development, or R&D, marketing and sales), enhancers (production, purchase, logistics and supply chain) and protectors (accounts, finance and management information system). "Creators are the key group. Their performance is critical. The bulk of the resources is targeted at them," says Ranganathan.

Brainstorming meetings on Monday were also started. "These meetings speeded up the process of product development as decisions were taken on the spot," says T.D. Mohan, Joint Managing Director. Ranganathan also got the team to start anticipating the competition's moves and prepare to counter them early. This helped when, earlier this year, rival Pantene slashed its shampoo sachet price from ₹1.50 to ₹1 to match CavinKare's Chik. "We had the response – a better formulation of shampoo – ready and launched it in less than a month. It was an improved product at the same price," says T. Mukhopadhyay, Executive Vice President, R&D.

Profitable growth was chosen as the theme for the company's annual conference in April 2011. The 'creators' were asked to come up with innovations that targeted the high end of the market. "We want 60 per cent of our revenues to come from the premium segment," says Ranganathan. CavinKare has also embraced the 'Blue Ocean Strategy' – outlined in an influential book on business strategy with the same name – to identify uncontested market spaces and create products to fill them. For instance, it launched Indica 10, a hair dye which can be washed off within 10 minutes of applying it. Rival hair dye brands require at least 30 to 45 minutes to take effect. Not surprisingly, Indica 10's offtake has

Known for its innovation prowess, CavinKare is now attempting a transformation for the next level of growth

been growing at 45 per cent every quarter. The company has set itself a revenue target of ₹5,200 crore by 2017/18.

Ranganathan's reforms have already started yielding results. The product development time has shrunk to 11 months from 12 months earlier. CavinKare is also making a conscious effort to expand its pan-Indian presence. Pursuing Ranganathan's new thrust towards tie-ups, as well as towards improving premium market presence, the company has entered into a strategic alliance with Coty Inc. – the world's largest fragrance company.

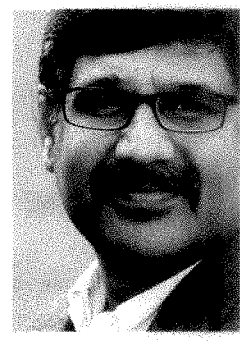
But threats remain. "The vulnerability of an innovator is that he can be copied," points out V. Balaraman, a former director of HUL. "Once large FMCG companies latch on to an idea, they unleash all their financial and organisational might to smother competition."

Even as he eyes wider horizons, Ranganathan remains careful not to lose touch with his regional base. Some of his company's most successful practices, especially its ability to visualise and create products from observing local habits, have stemmed from its proximity to its customers. For instance, its Shikakai powder brands – Meera and Karthika – geared for the Tamil Nadu market command 95 per cent market share in the state.

And innovation has been the cornerstone of its success. When CavinKare entered the market, the only way it could stand up to the likes of HUL and P&G, with their deep pockets, was by offering something different. After introducing shampoo sachets, for instance, CavinKare took on HUL's most profitable brand, the 'fairness cream' Fair & Lovely by launching Fairever in 1998. To get a competitive edge, Ranganathan included milk and saffron among Fairever's ingredients – both are traditionally associated with fairness in south India. The product immediately connected with consumers and snapped up a market share of 12 per cent at the cost of Fair & Lovely. "Innovation helped us take on big players with minimal marketing and distribution costs," says Ranganathan. More innovations, such as Nyle Herbal Shampoo and Meera Herbal Oil, have followed.

Many Indian companies which showed initial promise at innovating have in the past lost their way. They could not institutionalise the innovation process as they grew. Again, the FMCG market remains as competitive as ever. Even established players such as Henkel have had to exit following reverses. In such a situation, a more enduring route for CavinKare's growth would be to find a larger social purpose where genuine customer needs are identified and satisfied, Balaraman adds. This could well help Ranganathan realise his global dream. ◆

GOOD RECORD, CAN DO MORE



RAVEENDRA CHITTOOR
Professor of Competitive Strategy, ISB, Hyderabad

A number of Indian companies such as CavinKare – and before that, Nirma – have identified and successfully captured large market segments by serving consumer needs till then ignored by large multinational companies, or MNCs, dominating the FMCG space. However, most of these successes tend to be in the low-end space, traditionally considered unprofitable by the large MNCs.

The challenge for CavinKare now is to repeat such low-end disruptive innovations in many more product segments and more importantly, to create a few completely new segments. The company seems to be on the right track as shown by its adoption of the Blue Ocean framework, displayed in the new 'faster acting' hair dye it has created. The company's steps to re-energise its innovation processes are good. In line with this, CavinKare needs to step up its investments in research and even collaborate with independent R&D labs. Innovations in packaging can be easily imitated. However, if the innovation efforts are aimed at creating completely new products that cater to unfulfilled consumer needs or address existing needs in a superior manner, it will lead to sustainable competitive advantage and growth.

It is puzzling why CavinKare has been unable to establish a strong pan-India presence even after nearly three decades of existence. Expanding into other parts of India alone will give a significant

"The steps taken to re-energise innovation processes are good"

boost to its growth. Such geographic expansion can then be extended into select international markets as well. Inorganic growth is typically more expensive and should be contemplated only if it significantly accelerates the execution of some of the strategies outlined above.

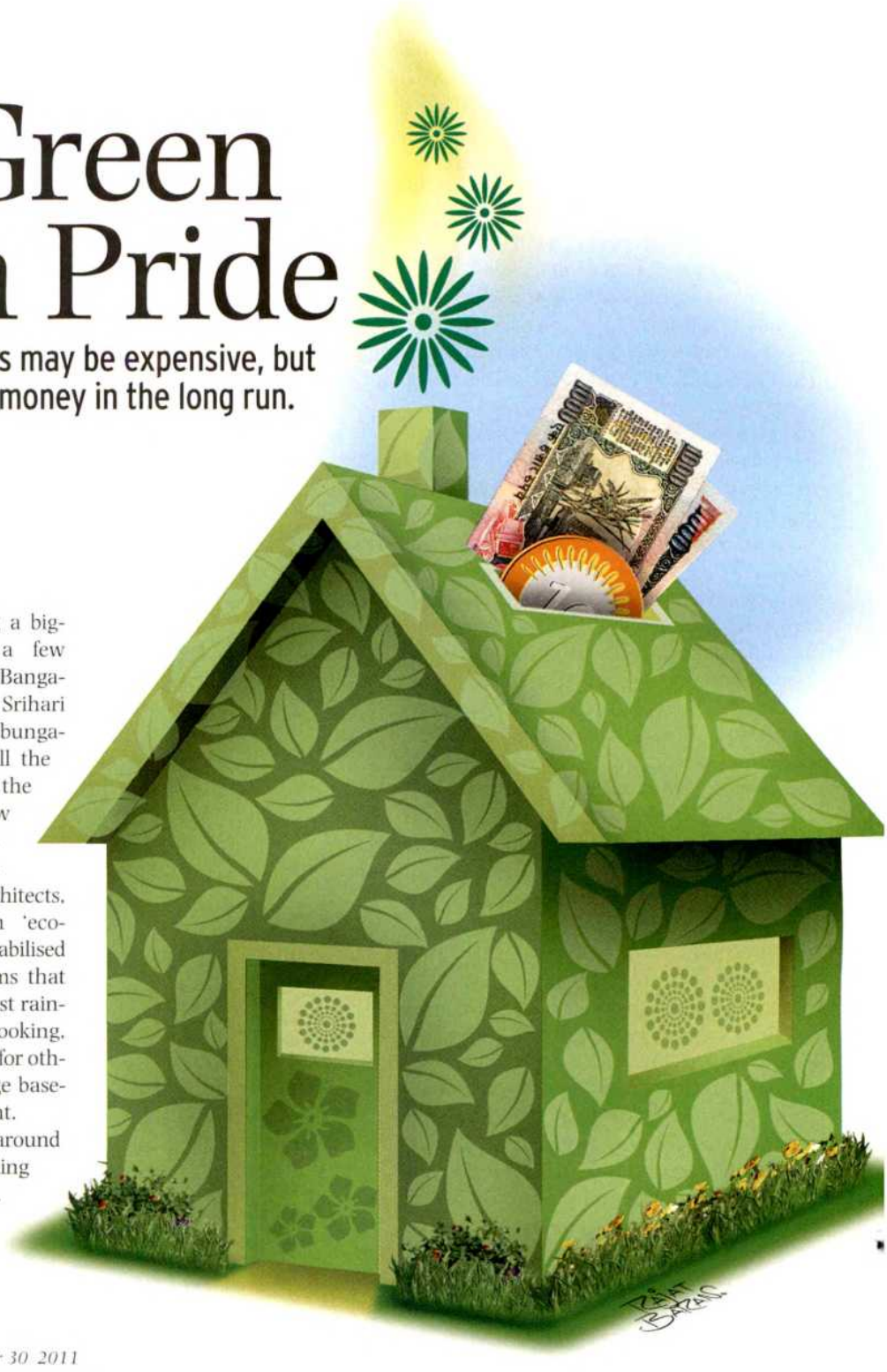
MONEY

GREEN HOMES CAN LOWER ENERGY CONSUMPTION BY 30 TO 50 PER CENT

Go Green with Pride

Eco-friendly homes may be expensive, but will help you save money in the long run.

By PRITAM P. HANS



While building a bigger home a few years ago, Bangalore-based Srihari Allamsetti aspired for a bungalow which would have all the modern facilities, but at the same time would eschew producing waste or polluting the surroundings. After consulting architects, he successfully built an 'eco-friendly' home, using stabilised mud blocks. It has systems that enable Allamsetti to harvest rainwater for drinking and cooking, and also treat waste water for other daily use. Even the large basement gets plenty of daylight.

"The house cost us around ₹1,350 per sq ft, including construction and fittings. This is the same that we would have spent to build a traditional

house," says the proud owner.

Allamsetti is part of a small, but growing tribe which swears by eco-friendly houses. With an increase in awareness about conserving resources and lowering the carbon footprint – the amount of greenhouse gases an entity emits – green homes are the 'in thing' in the real estate market, both residential and commercial.

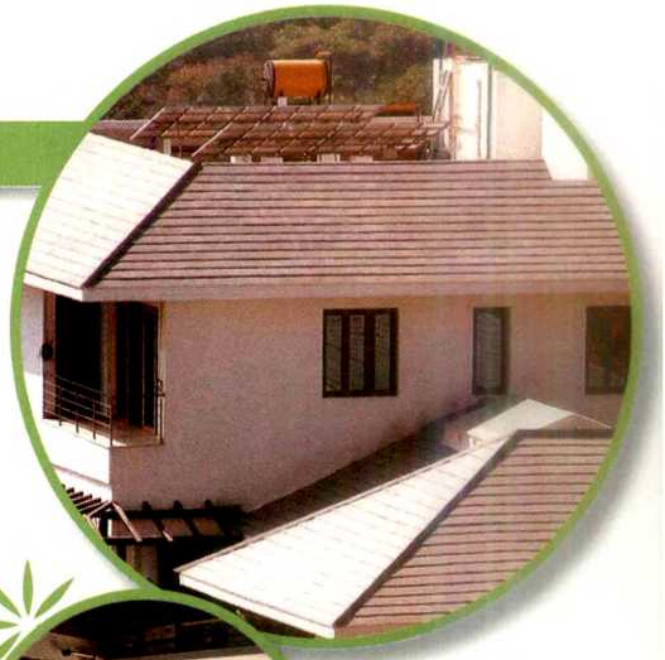
So does opting for a green home make sense? It does. "At present, India has 800 million sq ft of green built-up space, of which 40 per cent is residential. We expect it to touch one billion sq ft by 2012. The number will double by 2014," says S. Raghupathy, Executive Director, Confederation of Indian Industry, or CII, and head of the CII-Sohrabji Godrej Green Business Centre. Green homes also offer quality living space. Besides, they help save money. "A green building can lower energy consumption by 30 to 50 per cent and water consumption by 30 to 70 per cent," says Raghupathy. "If you live in a green building, you save on power and air conditioning. For example, a good design can reduce the use of air conditioning. If you consider these factors, green buildings can be much cheaper," says Mili Majumdar, Director, Sustainable Habitat Division, The Energy and Resources Institute, or TERI.

At present, availability of green materials and green consultants is limited. So, the price of an eco-friendly home can be a bit higher, than that of a conventional one. This should not be a worry, say experts. "When we take the full cycle cost of a building, the difference is negligible. The incremental cost of using green technologies such as insulation and hypo-thermal glass is a maximum of five to eight per cent. As savings are also high, you can recover the additional cost in three to five years," says Majumdar.

Eco-friendly homes are not just for people building independent houses. Many builders are now offering "eco-friendly" apartments and villas. "Eco-friendly homes, as a concept and product, are at a nascent stage in India. The awareness level is much higher in the case of commercial projects. But we have started getting enquiries about such residences," says Pirojsha Godrej, Executive Director, Godrej Properties.

Many builders are marketing their properties with the help of green ratings and certificates. However, be warned: all properties being advertised as 'green' or 'eco-friendly' may not be so. Many

THE ECO WAY



INSULATE ROOF AND WALLS
Add thermal mass for insulation to ensure that the roof and walls radiate less heat into the room

USE ALTERNATIVE ENERGY
Invest in solar, bio-thermal and wind energy generating equipment

LOWER HEATING FROM WINDOWS
Reduce the size of window glasses on the east and west or use double-glazed glasses to lower heating

HARVEST RAINWATER
For a family of five, the cost of a 7,000-litre rainwater harvesting system is around ₹50,000

Proper lighting of rooms saves a lot of energy

Good design can reduce the use of air-conditioning

Adequate ventilation is a key feature of green buildings

GREEN CHECKLIST

Buildings are evaluated on several parameters before being given a green rating

- Site planning and eco-friendly building design
- Preservation and protection of top soil and landscape during construction
- Heating, air-conditioning, ventilation, lighting and water heating systems
- Optimisation of building design and structure to reduce demand for conventional energy
- Water and waste management
- Selection of ecologically sustainable materials for construction
- Indoor environmental quality
- Use of renewal energy-based water heating system

small and mid-sized builders call their projects environment friendly just because they have lawns and landscaped gardens, which is nonsense. "If builders say a green lawn is eco-friendly, it is incorrect, because a lawn is not environmentally sustainable. The plants in it consume four times more water than the native species," says TERI's Majumdar.

"In most housing projects, the 'eco-friendly' label is a 'greenwash'. The concept has not caught on in the real estate sector, except for a few developers. These homes tend to be more expensive," says Chitra Vishwanath, an architect who specialises in eco-friendly designs.

At the time of buying a 'green' home, checking certification from a rating agency will help to distinguish between a greenwashed and a genuine eco-friendly project. Institutions such as the Indian Green Building Council, or IGBC, which is part of the CII, and the Association for Development and Researcsh of Sustainable Habitats, or ADaRSH, a joint initiative of TERI and the Ministry of New and Renewable Energy, examine buildings and give them ratings based on parameters such as design, construction materials, energy efficiency, quality of ventilation and lighting, and water and waste management. IGBC offers internationally recognised Leadership in Energy and Environmental Design ratings. A Green Rating for Integrated Environmentally Habitat Assessment, or GRIHA from ADaRSH has been made mandatory for new government buildings, which must score at least three GRIHA stars out of five.

The National Housing Bank, along with Germany-based KfW Bank and ADaRSH, is also running a pilot project giving incentives for energy-efficient homes. "Once the pilot project is successful, the scheme will be available on a larger scale," says TERI's Majumdar. With active support from the government and the private sector, green buildings will soon become the norm. "Corporate houses such as Infosys, Wipro and Tata have a policy to occupy only green buildings," says CII's Raghupathy. "There is tremendous growth in awareness about green buildings. Two years from now, only green buildings will be in demand." ◆

Courtesy: *Money Today*

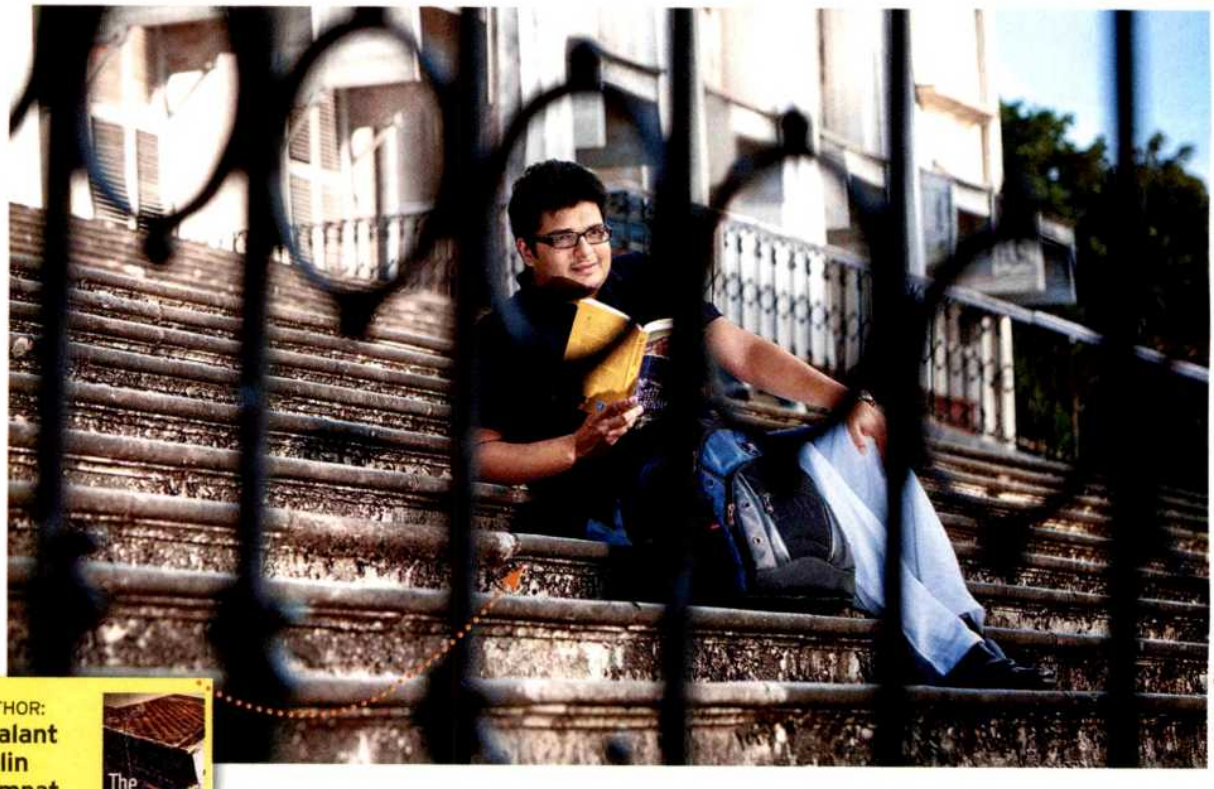
100 YEARS
CIVIL AVIATION
INDIA
1911-2011
CALCUTTA
UNIVERSITY
ONE PARTNERSHIP.
ENDLESS POSSIBILITIES.
100 years ago, civil aviation dawned in Indian skies. And for 70 years, India and Boeing have partnered to help India's dreams soar. Today, this partnership fuels India's connectivity and self-reliance. Fast tracking the nation's economic prosperity, the possibilities for growth and partnerships are, indeed, endless.
boeing.co.in
BOEING

LAST BUT NOT LEAST

EXECUTIVE HEALTH 123 CAREERS 124 PEOPLEBUSINESS 130

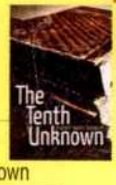
Bestselling Bosses

Corporate honchos are also writing popular fiction, finds **Anusha Subramanian**



NISHIKANT GAMRE\www.indiatodayimages.com

AUTHOR: **Jvalant Nalin Sampat**



BOOK: The Tenth Unknown

PUBLISHER: Niyogi Books

Book launched in July 2011

◆ *Until recently, Amish Tripathi, 36, was National Head, Marketing and Product Management, IDBI Federal Life Insurance.*

◆ *Ashwin Sanghi, 42, is an entrepreneur with interests in automobiles and real estate.*

◆ *Ravi Subramanian, 40, is President and CEO, Shriram City Union Finance.*

◆ *Vikas Rathi, 32, is Finance Leader, Asia Health Care, Procter & Gamble.*

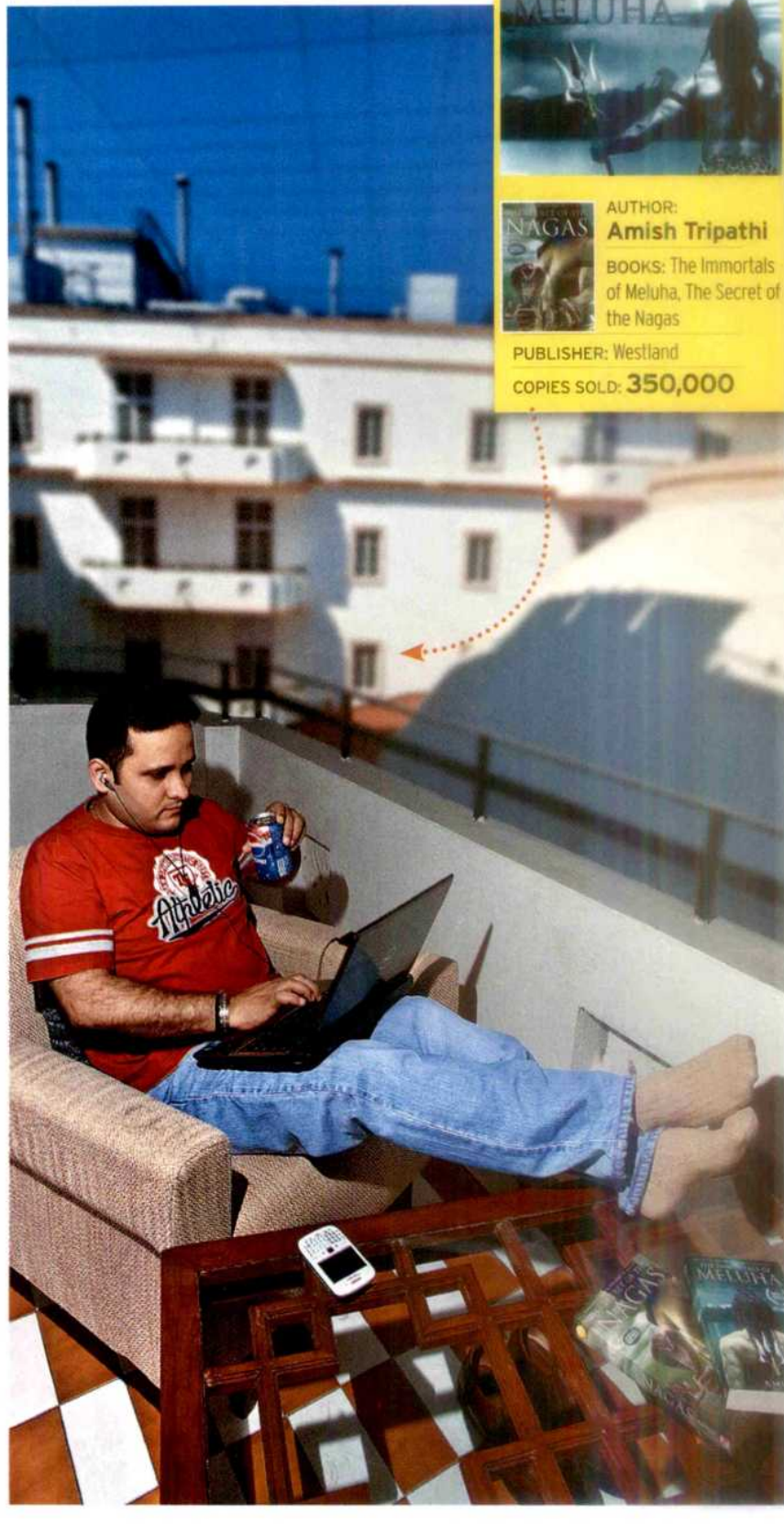
◆ *Jvalant Nalin Sampat, 31, runs Cross Pollinate, a consulting firm that helps NGOs raise funds from industry.*

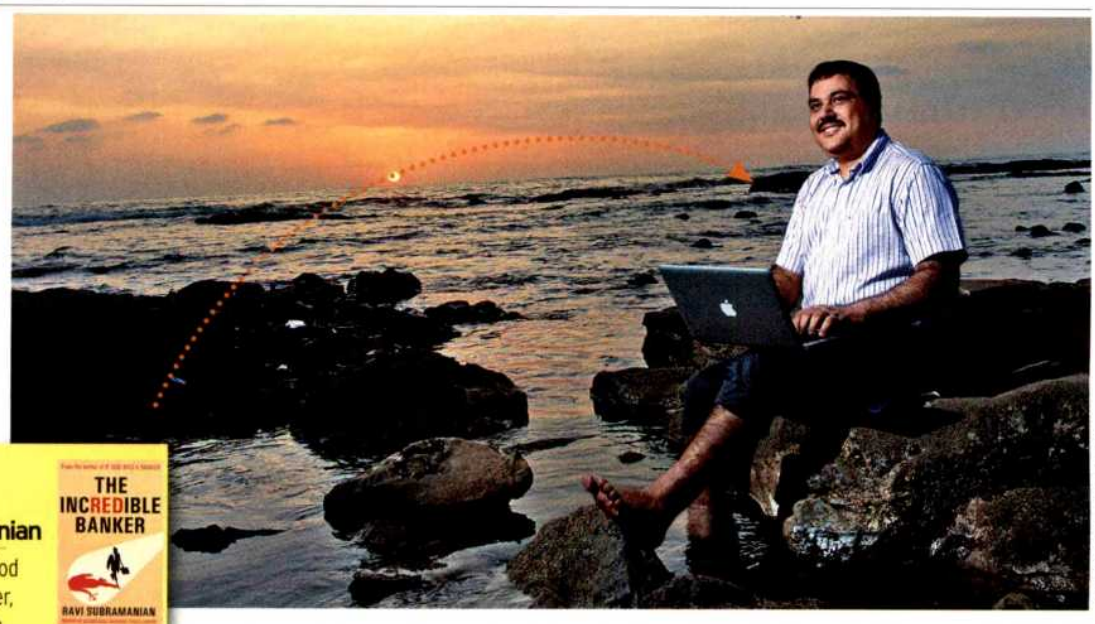
What do these five executives have in common? They are all successful novelists as well. Tripathi has written two novels – *The Immortals of Meluha* and *The Secret of the Nagas* – which, according to his publisher Westland, have sold 350,000 copies so far. Sanghi has published two, *The Rozabal Line* and *Chanakya's Chant*, again brought out by Westland, with 80,000 copies in print. *Chanakya's Chant* also won the Vodafone Crossword Popular Choice literary award for 2010.

Subramanian's corpus comprises three novels – *If God Was a Banker, Devil in Pinstripes* and *The Incredible Banker* – and one non-fiction work, *I Bought the Monk's Ferrari*, which have sold a total of 450,000 copies. The other two, Rathi with *Resident Dormitus* and Sampat with *The Tenth Unknown*, are debutants, whose books were released in the last two months.

Barring the single non-fiction offering, the contents of these books can be broadly divided into two: while Tripathi, Sanghi and Sampat concern themselves with the past, Subramanian and Rathi focus on the contemporary. Indeed, Tripathi's locale is a mythological past, with his two books – part of a proposed trilogy – chronicling the rise of Shiva, later to be revered as a god, as he helps the residents of Meluha battle their foes. Sanghi's genre is the historical thriller – the award winning *Chanakya's Chant* narrates two parallel political tales, one set in Chanakya's time 2,300 years ago and the other in post Independence. Sampat's book, too, has a wide historical sweep, but concentrates primarily on the World War II years.

In contrast, Subramanian sticks to the world he knows first hand – all three novels are set in the banking sector, where he spent 16 years. "I want to be the John Grisham of banking," he says. Rathi's debut novel, too, deals with a variety of experiences a





RACHIT GOSWAMI

young man faces in present day India just after he steps out of college.

Spurred by his repeat success with *The Secret of the Nagas*, Tripathi quit his corporate job in July this year to become a full-time writer. But the other four continue in their high-pressure jobs, which often involve 12 to 14 hour workdays. When do they get to write? "I wrote a large part of both my books in the backseat of my car while commuting to and from office," says Tripathi. Sanghi, Subramanian and Sampat say they work at night into the early morning hours, after the family has fallen asleep. "I wrote my novel in coffee shops after work," says the Singapore-based Rathi. "I'm okay with the chaos and noise around me."

Their novelistic concerns may vary, but their corporate background unites them when it comes to marketing their books. They have been proactive at it, a far cry from the traditional, reclusive author who would leave the task entirely to publishers and agents. Film trailers are *de rigueur*, but ever heard of book trailers? Tripathi began the trend by getting an ad filmmaker friend to make a 30-second trailer for *The Immortals of Meluha*, which he uploaded on YouTube. Since then book trailers have become almost a norm: Subramanian has four to promote his *The Incredible Banker*.

Apart from making the usual YouTube trailer for *Chanakya's Chant*, Sanghi also made an MP3 music track of a chant called the *Shakti Mantra*, which is central to the book and can be downloaded off the Net. "My approach is business-oriented," he says. "I benchmark myself on the basis of the number of copies I sell."

In yet another initiative, Tripathi had the first chapter of *The Immortals of Meluha* printed separately as a booklet and distributed free at leading bookshops. He is also ready with a 50-second trailer on *The Secret of the Nagas*, to be aired in Mumbai and Delhi multiplexes in October. "Many of the new writers are extremely tech-savvy and capable of publicising their work effectively, be it through social networking sites, blogging or YouTube clips," says Nandita Jaishankar, Editor at Niyogi Books.

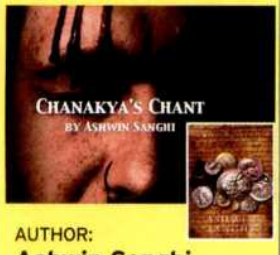
Contrary to the refrain that no one reads books any more, book sales are growing at around 15 per cent, year-on-year, and the market is currently estimated at ₹1,000 crore. Adult fiction in English is a ₹28.7-crore market, with about 1.14 million copies having been sold between January and July 2011, according to book sales tracker, Nielsen BookScan India. (Adult fiction across all Indian languages is a ₹200-crore market.) Even the curious appeal of historical fiction does not surprise publishers. "Young people today are open to reading historical fiction written in an engaging manner," says Gautam Padmanabhan, CEO of Westland. ◆

AUTHOR:
Ravi Subramanian

BOOKS: If God Was a Banker, I Bought the Monk's Ferrari, Devil in Pinstripes, The Incredible Banker

PUBLISHER: Rupa

COPIES SOLD: **450,000**



AUTHOR:
Ashwin Sanghi

BOOKS: Chanakya's Chant, The Rozabal Line

PUBLISHER: Westland

COPIES SOLD: **80,000**

AUTHOR:
Vikas Rathi

BOOK:
Resident Dormitus

PUBLISHER:
Rupa

Book launched in July 2011

Sales figures from publishers

For a more detailed report log on to
www.businesstoday.in/bestsellers

Rekindling the Fire

Amazon presents the most credible challenge yet to iPad, says Suveen K. Sinha

Before the iPad – now, that would seem like a really long time ago to the tablet's aficionados – there was Kindle. A humble black and white e-book reader, it started a new market segment and sought to change the way people read and thought of books. But soon came the iPad, on which you could do what you did on Kindle and much more. And then there were the bragging rights every Apple-user assumed. As iPad sales surged, Kindle's remained modest and – to hardware biggies' shock – laptop sales growth suffered. Now Amazon has come to seek revenge with Kindle Fire. With a glossy seven-inch colour touch screen and dual-core processor, it is a full-blown tablet.

Well, not quite full-blown if you compare it with the iPad, whose unwavering popularity – 29 million sold in the first 15 months – has reduced the competition in the tablet market to a race for the number two slot. But Kindle Fire can hold its own, especially if it can present a credible rival to Apple's iTunes universe with its own little ecosystem.

That ecosystem is critical, because Amazon seems to have opted for the "razor blade model" made famous by – who else? – Gillette, now a unit of Procter & Gamble. Analysts point out that Gillette sells razors at a loss and makes up for it, and more, on sales of blades. According to a press release on the web site of research house IHS iSuppli Research, Amazon spends $209.63 on making each Kindle Fire, the new avatar of Kindle. The selling price is $199. Even the cheapest iPad comes for no less than $499.

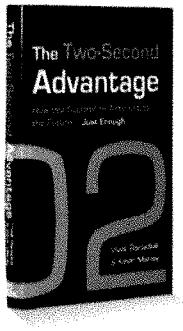
Amazon's founder and Chief Executive Jeffrey F. Bezos says he thinks of Kindle Fire like a service, offering integrated hardware, software and content. The software and content – the razor blades – include Amazon's warehouse of some 18 million e-books, songs, movies, television shows and Android applications. Kindle could not provide the hardware interface to leverage all this; Kindle Fire does. Once you have it in the palm of your hand – that's right, it does fit in there – you can browse the web and stream music, movies or video. You can also read from a virtual news-stand after paying for the blades – oops! publications. You can store 6,000 books, or 10 Hollywood-length movies, on its eight gigabytes of memory. And then there is the 'cloud', which everyone is talking about these days. Amazon Silk, the web browser developed especially for Kindle Fire, shifts some of the load to EC2, Amazon's cloud computing engine. That means even heavy pages can load fast. What's more, the cloud-based storage system comes free with the tablet.

So far the competition to the iPad came in two forms. The first was from the likes of Samsung, whose Galaxy tried to outdo the iPad and charged as much or more from the consumers. The second was the cheap tablet. Last heard, there is one being launched for $35.

Kindle Fire offers the most sensible alternative to the iPad. Amazon knows its limitations, tries it best, and expects you to know that you are not buying an iPad. Sure, Kindle Fire does not have a camera or a microphone, which enables the much-loved video chats on the iPad. It connects only to Wi-Fi, not to a mobile network. But hey, what did you expect? Look at the price tag. ◆

Staying Ahead, Staying Alive

This is a fascinating tale of the intersect of neuroscience and computing, says Somnath Dasgupta



The Two-Second Advantage
By Vivek Ranadive & Kevin Maney
Hodder & Stoughton/ Hachette
Pages: 240
Price: ₹499

The Unique Identification Authority of India aims to give every Indian a number that will save him or her the trouble of furnishing different types of identification proofs, ensure that the poor get their subsidies and migrant workers more secure mobility, and so forth. It will create a humongous digital database which, as it gathers mass, will help the government serve the people better.

Let us hope the people at UIDAI have read this book, or India will have just another huge and useless database. The central thesis of *The Two-Second Advantage* is that data mountains are growing too big for traditional analytics to yield any significant advantages for any one company or organisation, and only those equipped with predictive analytics will survive.

The authors begin with the story of Wayne Gretzky, the all-time great of ice hockey, whose success stemmed from the predictive ability of his brain, and despite his disadvantage when it came to brawn. From there, the authors dive into research labs, brain theory and computer science to make their points.

First, computing power is being overwhelmed by volumes. According to the authors, in 2010, digital information equivalent to 1,200 trillion books was created.

Second, the authors say, databases are inherently focused on the past – the shampoo you bought last month, the airline you chose last week – and cannot predict that you are about to shun your regular airline for tomorrow's flight because a rival has a better offer. On the one hand, the computer is nowhere near the human brain as a predictive machine: it only tops at processing speed. On the other, the human brain – except that of a few rare or autistic individuals – is lousy at remembering and processing mountains of data.

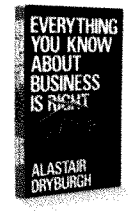
A Wayne Gretzky processes "chunks" or complex patterns of information stored as such, and not as individual bits that have to be associated all over again. So too when you read this article, you are "chunking" all the information associated with individual letters, the words formed by those letters, the grammar, sense and so on, all of which your brain has been associating over the years, from the time you picked up the alphabet as a toddler, taking months to absorb the letter 'm' in kindergarten.

"Chunking", the authors write, enables the brain to constantly aggregate small details into chunks of instantly recognisable patterns.

The authors say we are in the third stage of computing, 'Enterprise 3.0'. Enterprise 1.0 was the first stage of computing, and Enterprise 2.0 was born with modern computing systems. In Enterprise 3.0, systems are learning to respond to events, not questions – and react ahead of time. And changes are happening in all spheres of life, from sports to health care, from immigration control to safer flying. That is the good news. The bad news is that if your employer is not keeping up, his company could be as dead as a dodo. In two seconds. ◆

"Companies that bet on advances in computing will know what their customer wants before the need is voiced"

BOOKMARKS



Everything You Know About Business Is Wrong
By Alastair Dryburgh
Headline/ Hachette
Pages: 213
Price: ₹295

Recession, inflation, job on the line... And now a book with this depressing title. No harm in reading it on your next flight, and learning some new tricks.

Power Brands: 2010-2011
Many
Planman Media
Pages: 336
Price: ₹5,999

An exhaustive survey of 40,000 brands under 40 categories, the findings are presented in a lavish coffee-table book which can also double as a table on its own.

Beating the Blues

If you feel listless at work, you should see a counsellor, says Anand J

Sunil Kulkarni, 29, (name changed) is a supervisor at a fast moving consumer goods, or FMCG, company in Mumbai, with 15 salesmen working under him. For three years, his was the best performing zone in the company. He was always the first in his team to reach office. Then suddenly his zone's sales graph began to dip and Kulkarni started coming late to work as well. The trend continued for the next two months. Kulkarni's area manager thought he was just being lethargic and was about to give him a severe dressing down.

Fortunately, the company's human resources, or HR, department noticed the dip in performance, too, and intervened. It found the competition had reduced the prices of some products, which had hit the company's sales in Kulkarni's zone.

Unable to combat the fall and feeling helpless, Kulkarni had gone into depression. Prompted by the HR department, the company took steps to help Kulkarni recover. It also introduced skill enhancement training for all its salesmen and supervisors.

Not everyone in a similar jam is as lucky as Kulkarni. Many companies fail to understand why an employee suddenly starts underperforming. The employee is often called simply lazy. In India, depression also carries a stigma, due to which employees are reluctant to seek treatment or advice.

Fortunately, many of the larger, well-managed companies do have sensitive and watchful HR departments. Depression in an employee is noticed early by the line manager, who reports it to HR, which in turn directs the employee to an in-house counsellor.

SANTOSH

WHAT CAUSES LETHARGY

- SKILL DEFICIENCY
- ROCKY RELATIONSHIPS
- HEALTH PROBLEMS
- LONG WORKING HOURS
- LACK OF ROUTINE
- POOR SLEEP PATTERNS
- DEPRESSION
- BOREDOM
- ENERGY LOST ON NON-CORE WORK

"Problems crop up when the employee is in denial about his lethargy," says G. Ravindran, CEO of Society for Human Resource Management, India, an HR management company. "Or else counselling programmes are usually successful and the employee can be back to normal working hours within three to six months. Of course, complete confidentiality must be maintained."

Ravindran also feels there should be forums on which employees who have suffered from depression can anonymously share their experiences. "The companies should also try to include the families of affected employees in the healing process," he says.

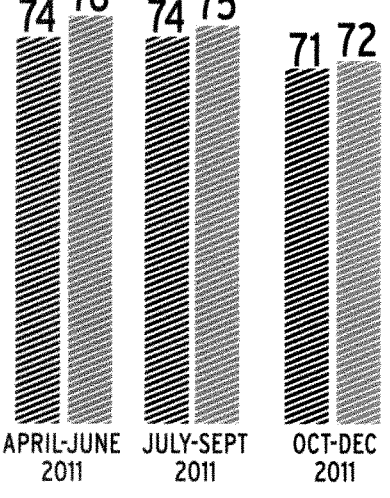
Vasudevan Anand, Director of ICAS India, which provides employee assistance to companies, says they need to break the monotony at work. "Even the energy lost on non-core activities like driving to office can induce frustration and lethargy," he adds.

Poor lifestyle habits can have the same effect. "Excessive consumption of alcohol or caffeine, of junk food and over the counter medicines, and the lack of regular exercise and a daily routine can cause lethargy," says Ashutosh Shukla, Senior Consultant, Internal Medicine, Artemis Hospital. Lethargy is also caused by purely medical reasons such as anaemia, blood pressure problems or bronchitis. Periodic medical check-ups are advisable. ◆

DISAPPEARING JOBS

SANTOSH

The latest *BT*-TeamLease survey shows employers expect a drop in hiring, says Anumeha Chaturvedi



To download the full report, including methodology, log on to **www.businesstoday.in/jobsoutlook**

It was bound to happen. The gloomy global economic outlook has hit the Indian job market. The latest *BT*-TeamLease survey shows hiring has slowed. Employers have grown cautious. Both the Employment Outlook Index, or EOI, and the Business Outlook Index, or BOI, reveal a three percentage point drop for the October to December 2011 quarter, compared to the previous July to September quarter.

The EOI is the difference between the percentage of respondents who expect hiring to increase in the coming three months – starting October – and those who expect it to decrease. Similarly, the BOI is the difference between the percentage of those who think business in the next three months will improve, and those who believe it will get worse.

The results contrast sharply with those for the July to September quarter, which reported a stable business and employment outlook. "Companies are going slow on hiring. The focus is on consolidation and replacement hiring," says Sangeeta Lala, Vice President, TeamLease Services.

Six of the eight sectors surveyed reported a likely drop in hiring with information technology, or IT, and IT enabled services, or ITeS, expecting the sharpest fall of seven and eight percentage points, respectively, in both EOI and BOI. After two stable quarters, telecom reported a sharp six percentage point drop in EOI. Retail and fast moving consumer goods, as well as manufacturing and engineering showed a two percentage point fall, while health care and pharma hiring is likely to be down by three percentage points.

The silver lining is that hiring in infrastructure and financial services is expected to marginally improve with both sectors reporting a two percentage point rise in the indices over the previous quarter. Infrastructure also reported a five percentage point rise in

business outlook.

"The infrastructure sector is hiring vigorously and has plans of continuing with robust hiring in the coming quarter. The improvement is primarily due to improved performance of steel, cement and power," says Kanika Vaswani, Executive Director, Elixir Consulting, a staffing firm.

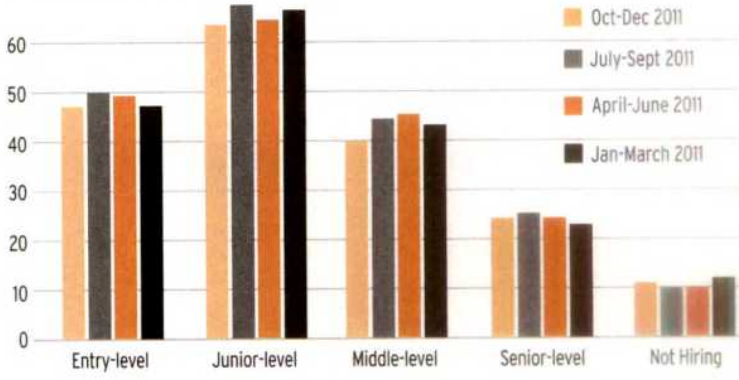
In the financial services sector, hiring has also improved marginally, though the reasons require deeper analysis. GE Capital India, for instance, plans to continue hiring. "We see an increase in hiring over the next few months as we grow our various businesses such as corporate loans and leasing, equity solutions and our credit card joint venture," says GE Capital India's President and CEO Anish Shah.

Among life insurance companies, constant attrition has kept hiring levels stable. "Our attrition rate is about 80 to 90 per cent per annum at the frontline sales level. We have hired about 500 people this quarter and will continue to hire people in similar numbers in the next quarter," says Rajendra Ghag, Executive Vice President, Human Resources and Administration, HDFC Life.

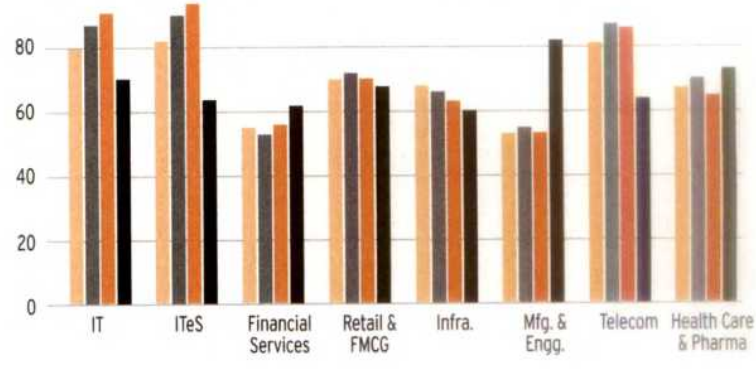
Among cities, Kolkata witnessed a significant five percentage point increase in employment outlook, while both Delhi and Bangalore experienced a sharp nine percentage point drop. Pune and Chennai witnessed eight and seven percentage point drops, respectively.

Across functions, senior-level profiles will remain stable, but junior- and mid-level hirings are expected to go down four percentage points each, while entry levels will suffer a two percentage point loss, says the survey. ◆

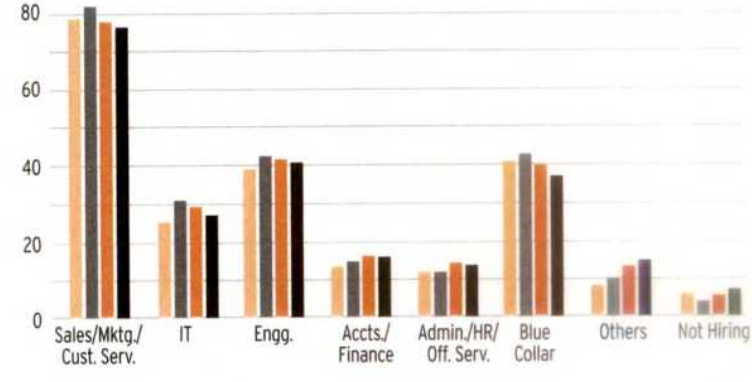
Hiring Intent by Hierarchy

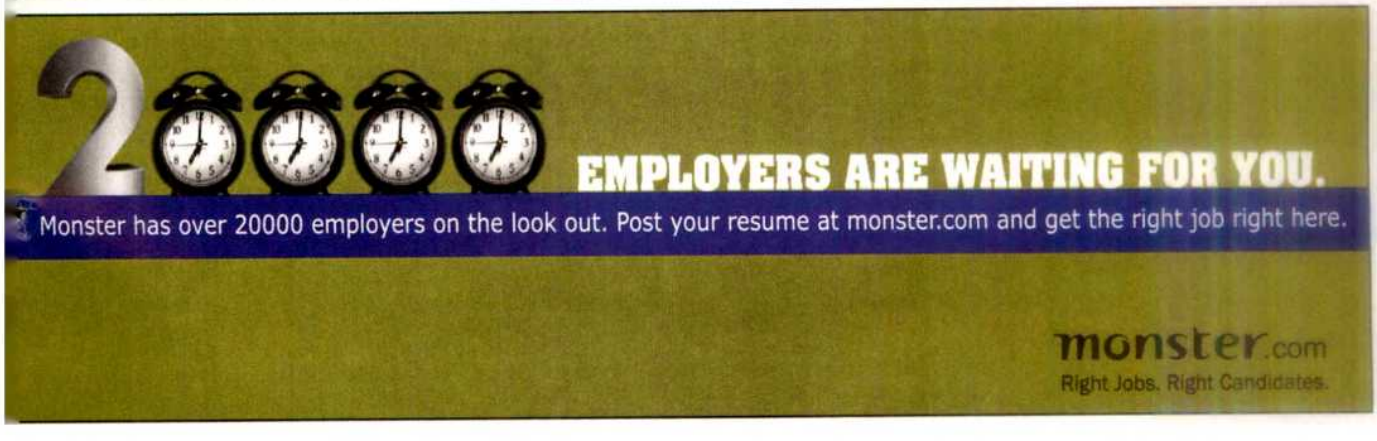


Net Employment Outlook Growth (By Sector)



Hiring Intent by Functional Area





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Amazon Development Centre In Private Limited
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Description: Will be responsible on a p India basis, for managing HR operatic (referred to as ERC), HR Policies a Statutory Compliance for Amazon India.

Norfolk Mechanical India Private Limited
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Job ID: 10350002
Description: Manage Accounts - up ME, for 1 year - control and own, Ident up-sell & cross-sell opportunities Installed base, Drive high-value business

Tech Mahindra Limited
Training & Development Executive
Location: Mumbai
Job ID: 10194435
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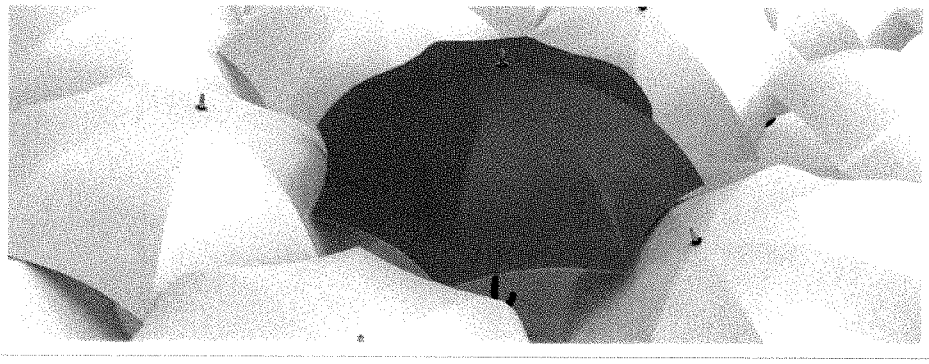

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Description: Experience in Oracle Databases, RAC, RMAN, Performance Tuning.

Photon Infotech Private Limited
Blackberry Developers / Senior Developers / Leads
Location: Bangalore, Chennai
Job ID: 8378633
Description: Looking for Blackberry Developers / Leads.

Ciena
Software Engineer/ Programmer
Location: Gurgaon
Job ID: 10220320
Description: Responsible for software design and development of product features on complex embedded systems.

Capgemini
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Location: Chennai
Job ID: 10132394
Description: Expertise in writing server side Java code. Must have expertise in Core Java - multi-threading.

Polaris Software Lab Limited
C++ Developer
Location: Pune
Job ID: 10297596
Description: Will be responsible for the enhancements; bug fixing, unit testing and system testing.

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Description: Must have knowledge in Business Development and revenue generation.

Jobzebra
Sales Manager
Location: Cochin / Kochi / Ernakulam
Job ID: 10398493
Description: Candidate must ha experience in Automobile Dealer compan

Oracle
Sales Manager - Storage
Location: Delhi, Mumbai
Job ID: 10289792
Description: Managing Storage Portfolio for different regions. Hard Core Sales Profile reporting to National Head.

Infineon Technologies India Pvt.Ltd
Business Development Executive
Location: Bangalore
Job ID: 10147820
Description: Business Development Power Supply Discrete Business Line in Industrial & Multi-Market divisi covering India.

Schneider Electric India Pvt Ltd
Area Sales Manager
Location: Bangalore, Mumbai
Job ID: 10199285
Description: Thorough understanding of the enterprise sales function and processes including annual sales planning.

ABB Limited
Channel Sales Manager
Location: Mumbai, Pune
Job ID: 10144624
Description: Responsible for Low Volt Switchgear Sales, Marketing, and Busin Development in given territory assigr Locations.

CRY-Child Rights and You
VP/ GM/ Head - Sales
Location: Delhi, Gurgaon
Job ID: 10374667
Description: The person will be responsible for translating CRY's goals into action at the region.

Recruitica
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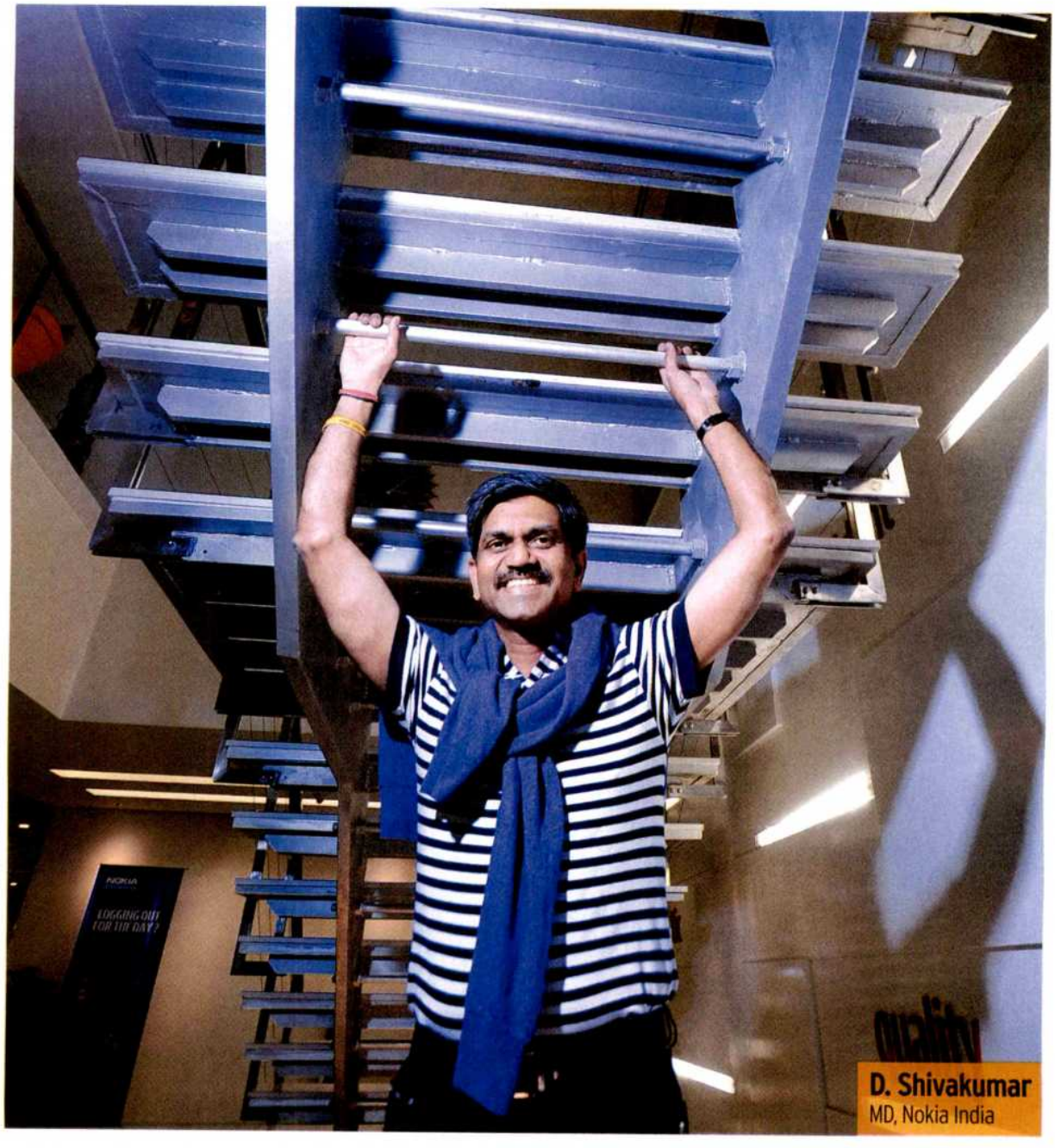

D. Shivakumar
MD, Nokia India

VIVAN MEHRA/www.indiatodayimages.com

Improved Connection

After heading Nokia India for more than three years, **D. SHIVAKUMAR** will now be heading IMEA – India, Middle East and Africa – from January 1 next year. IMEA is one of the four newly formed regions Nokia has divided up its market into, the others being the Americas (North and South), Asia Pacific and Europe. The regrouping of markets will help the Finnish mobile phone giant, whose fortunes have fluctuated of late, respond to customers better, says Shivakumar. "We haven't listened to the market the way we should have done," he says. He will be shuttling between Dubai, where his new office is based, and Gurgaon, where Nokia India is headquartered. With more than 90 countries under him, Shivakumar will be a key strategist to develop the IMEA business for Nokia. The company is also focusing on a new series of smartphones which will hit the market later this year.

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Diamonds with Dash

He studied psychology in college and puts that knowledge to use in his profession – selling diamonds. As CEO of Forevermark, the premium diamond brand from the De Beers Group, **STEPHEN LUSSIER** has decoded the psyche of rich Indians and their penchant for exclusivity. The Forevermark branding on a diamond assures buyers that it is of exceptional and rare beauty apart from being sourced responsibly. "Less than one per cent of the world's diamonds are eligible to become Forever diamonds," says Lussier, who has spent 25 years in the industry. "Each diamond carries an inscription and a personalised number." His strategy to increase diamond sales in India – already the world's fastest-growing market for the last five years – seems to be working. Launched in six Indians cities so far, Forevermark diamonds are selling well. "We hope they will account for 20 per cent of our global sales soon," says Lussier. "By the end of the decade, India and China will bypass the US as the largest consumers of diamonds." No wonder he spends the bulk of his time in this part of the world.

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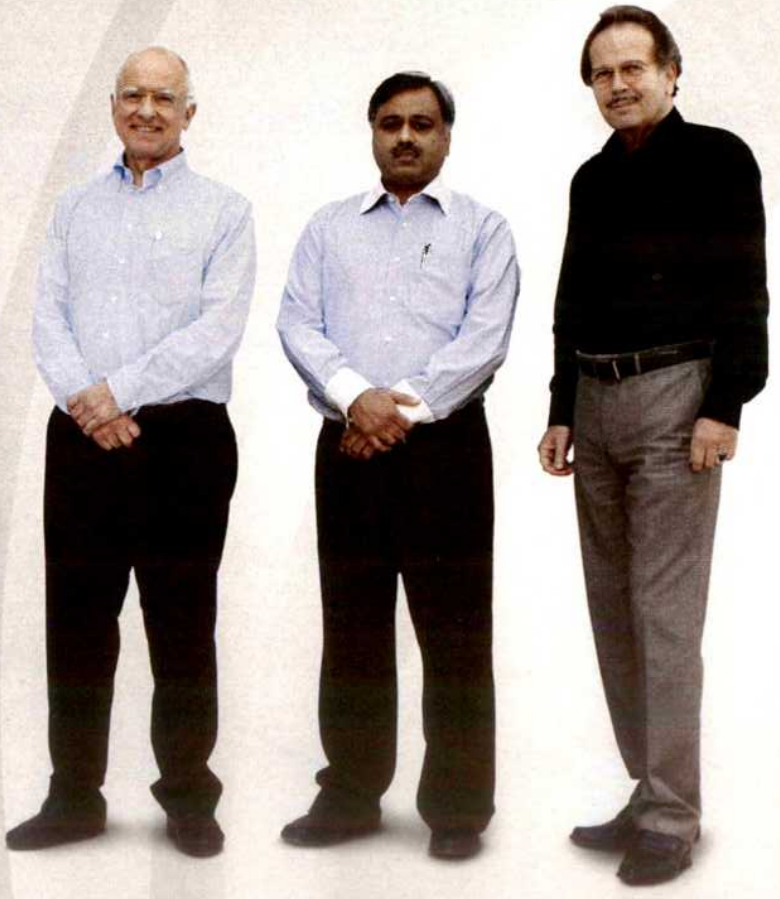

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G.V. Sanjay Reddy
Vice Chairman, GVK Group

Reddy for Australia

He may be Vice Chairman of the GVK Group and the son of its founder G.V. Krishna Reddy, but **G.V. SANJAY REDDY,** 47, is best described as the new initiatives' leader of the group. Reddy, who made a social splash in June this year with the big, fat wedding he hosted for his daughter – where guests were ferried in and out of Hyderabad by chartered flights – will now lead the group's push into natural resources. He will manage the $1.25 billion acquisition of the Hancock coal project in Australia. "I am not relocating to Australia as I have enough responsibilities here... It will take up 50 to 60 per cent of my time over the next few years," he says. In Phase I, the new project is five times bigger than what the group has handled so far – the ₹10,000-crore Mumbai airport project.

E. KUMAR SHARMA

Sailing in Fresh Waters

MANISH KEJRIWAL loves water. His office and his home both overlook Mumbai's Marine Drive. His office desktop wallpaper is a grab of the waterfront adjoining United World College, his high school in Vancouver, Canada. The young Kejriwal loved sailing and today, at 42, he is ready for a new journey. After heading Temasek India for more than seven years as Senior Managing Director – a few of his marquee investments include Bharti Airtel, ICICI Bank and Mahindra & Mahindra – Kejriwal is starting his own fund along with two former McKinsey colleagues. After years in what was essentially a government job, it seems the son-in-law of Rahul Bajaj, Chairman, Bajaj Auto, has rediscovered his Marwari genes.

SUMAN LAYAK

Manish Kejriwal
Senior MD, Temasek India

Strong Tailwind

"An entrepreneur has to be prepared for near-death experiences," says **SUMANT SINHA**, Founder, Chairman and CEO, ReNew Wind Power, on the risks of running a business. Goldman Sachs plans to invest $200 million for a majority stake in ReNew and Sinha seems quite happy to be a minority owner. He is keen on building up volumes in the business before thinking of moving into other sectors within the renewable energy space. Ask him about the influence of his father, BJP leader and former finance minister Yashwant Sinha, on his career, and he says: "It is an interesting sidelight. Hope people do not treat it as the main highlight." ◆

SHALINI S. DAGAR

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Chairman and Managing Director, Jindal Steel and Power Ltd

My leadership style
- ☐ Delegative
- ☐ Participative
- ☐ Authoritative
- ☑ All of the above

The political leader I admire the most
Mahatma Gandhi

The business leader I admire the most
J.R.D. Tata

The leadership lesson I remember the best
People do what leaders do and not what they say

A book I would recommend on leadership
Real Leadership by Dean Williams

The difference between a manager and a leader
A manager manages a job well. A leader is a good manager who also takes the initiative to create new things

All good managers are good leaders
No

As told to N. Madhavan

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Vol. 20, No. 22, for the fortnight October 17 to 30. Released on October 17, 2011.

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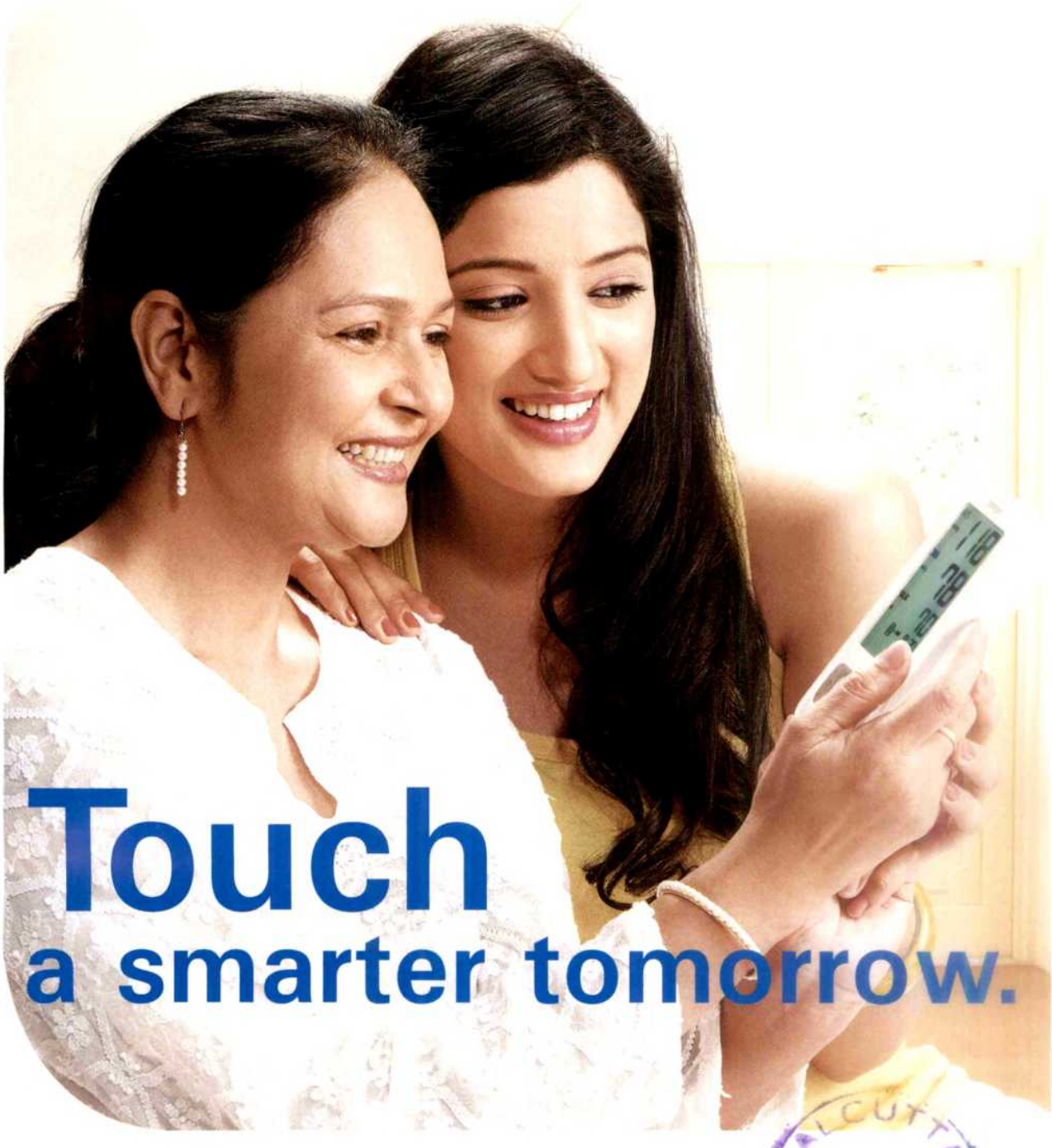

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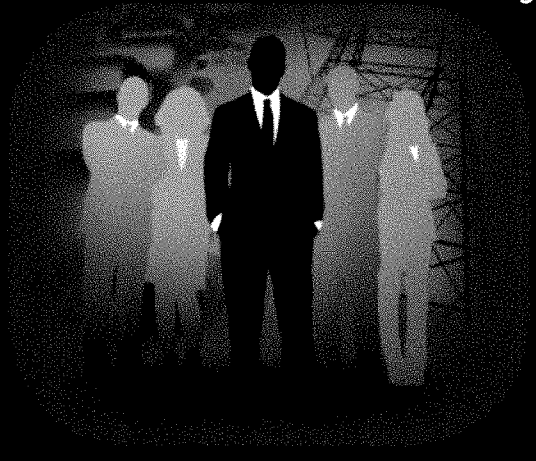

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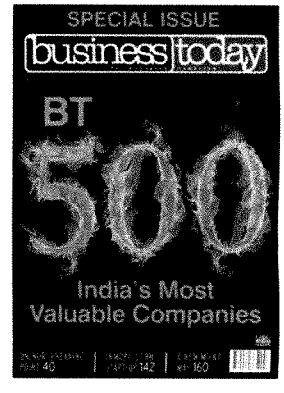
From the Editor

If you look down from a helicopter at any of India's teeming cities you will see millions of people scurrying around using every known form of locomotion as they move between structures, many of them once described as skyscrapers when we were more down to earth, all busily engaged in every imaginable type of commerce, all making money. *Business Today* takes snapshots of the busy-ness of India, and what a wondrous gallery of images it has been over the past twenty years, what a rip-roaring tale of corporate derring-do! What better way to get a one-stop view of the boiler room that powers this leviathan than the BT500 annual listing of our 500 most valuable companies?

"Most valuable" is a relative term during these rocky times when the economy seems to be driven more by the momentum of huge and pent-up domestic demand than by true growth in value. The stark reality is that average market capitalisation of the BT500 companies rose a very slim 2.7 per cent in the April-September 2011 period from a year earlier, a thumping fall from 35.6 per cent last year. Need we say more about leery investors?

The BT500 listing is a fascinating way to look at how the stock market – that is, the investor – values our best companies. "Any corporate listing is a beauty parade," the very first *BT* listing said back in March 1992. If you trawl through the 20 listings we have published since then, you will get a very good idea of what enduring "good books" look like. For instance, Tata Steel was No. 1 in 1992; today it is No. 27. Telco was No. 3; today Tata Motors is at No. 26. There is still a Tata company in the top five – TCS, reflecting the strength of the new economy. And the Tatas have no fewer than 26 companies in the BT500, with a total market cap of ₹423,042 crore, making them the behemoths of Indian business. Reliance Industries, led by the remarkable Dhirubhai Ambani, was No. 6 in 1992; today it is No. 1. The Ambani sons have expanded the empire, but also destroyed shareholder value: the six companies led by Anil Ambani in the BT500 have fallen over 35 per cent in market cap, over seven per cent in total income, and over 73 per cent in net profit over the past year. The two companies controlled by Mukesh Ambani have fallen 14.4 per cent in market cap, although they have grown in total income and net profit. Want to know how contrarian the investor can be? The upstart Adanis, with a total market cap of ₹125,579 crore, are the third-largest group in our analysis, slightly ahead of the A.V. Birla Group. This year, we also decided to do away with the artificial barricades between "private" and "public" companies. With more state-owned firms getting listed, the playing field is looking much more level. And so you have Coal India vaulting to near the top of BT500; with ONGC, you have two PSUs in the top five.



This collector's edition of *Business Today* offers you hours of engrossing reading. Alokesh Bhattacharyya and Rajiv Bhuva led the huge project; the team included Suman Layak, Somnath Dasgupta, Manu Kaushik, Shalini S. Dagar and E. Kumar Sharma. Besides the Top 500 listings starting on page 86 and the Next 500 on page 106, don't miss the Big Picture charts starting on page 128 that pluck dozens of ingredients to concoct delectable confections. Enjoy the feast, and may this Diwali bring you much prosperity, and even better returns!

Chaitanya Kalbag

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India's Most Valuable Companies

48 | **When the Twain Met**
A merger of private companies and public sector units into one listing throws up surprises, unlocks a treasure trove of value

56 | **The New Star**
Coal India's scrip had a great beginning, but its future depends on performance.

62 | **Chartbusters**
Companies that have steadily climbed up the rankings ladder to take on the big boys

70 | **Fallen Leaves**
How and why once-mighty companies fell off the BT Top 25 list. Which sectors and companies will rule in coming years?

76 | **The Slow, Great Squeeze**
Costs are up and margins are down. It is time for companies to think afresh and innovate, as they wait for sustained demand and better times

86 | **Tables – The First 500**

106 | **Tables – The Next 500**

126 | **Methodology**

128 | **Infographics**

COVER BY KAPIL

BT **makes it easy to get photos and text from its online edition with a Microsoft tag**

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CONTENTS NOVEMBER /13/2011

Volume 20/Number 23

UPFRONT

10 | Quick takes on major events of the last fortnight

FOCUS

16 | Slipped Fisc

19 | Policy

20 | Finance

22 | Real Estate

30 | Graphiti: Will Have Money, Will Buy

38 | Etcetera

142 Poster boy Naveen Tewari (third from left)

FEATURES

40 | Breaking Point
Growing mistrust sours yet another JV as Unitech and Telenor slug it out in courts

142 | The New Poster Boy of Start-ups
SoftBank has valued Naveen Tewari's InMobi at $1 billion. He is now on a direct collision course with Google

150 | Parachuting into Skincare
Marico jumps, but the landing may not be smooth

154 | On a Roll
Ethnic food chains are aiming for the big time, and investors are pouring money into them

160 | Shaking It Up
Besides funding, the milk sector is gaining knowhow. But policy fixes are needed

166 | Peer Pressure
Competition, lack of market depth, and declining prices are slowing the growth of the multimedia classroom business

174 | Best Shoe Forward
With a manic focus on customers, Yebhi.com wants to make the leap from an online shoe-seller to an e-commerce titan in India

182 | *HBR* Exclusive: Competing Against Free

166

40 Unitech chief Sanjay Chandra

MONEY

196 | Asia Pips India
Investing overseas, especially in some east Asian countries, could make you richer

BT GOLF EVENT
202 | High Tee

LBNL

208 | Prop No More
The backdrop of many successful Hindi films, Punjab takes centrestage with its own string of hits

P-TECH
212 | Aiming High, Falling Short

SMART EXECUTIVE
214 | Neither Fight Nor Flight

BOOKEND
216 | Inspiring Life, Inspiring Book
Mashelkar sets forth a route map for young scientists

CAREERS
219 | Temping Temptations

224 | PEOPLEBUSINESS

LEADERSPEAK
230 | V.K. Viswanathan
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CANALI

Rating Reality

With reference to *The Ratings Soup* (*BT*, October 16), CRISIL believes that price increase after the listing is not an appropriate metric to measure the efficacy of IPO grading because factors such as liquidity and market sentiment, besides the fundamentals, play an important role in determining pricing. Since IPO grading evaluates the fundamentals of a company, its efficacy should be measured by taking price-earning, or P/E, multiples and share price volatility over a longer period as indicators. Our studies show that companies with higher IPO grades command higher P/E multiples due to a superior earnings profile backed by strong management and corporate governance. Their stock prices are less volatile on account of higher earnings visibility. IPO grading is meant to aid investors in their decision making and is not a recommendation to buy, sell or hold.

Mitu Samar, *Head-Communications & Brand Management, CRISIL*

Our Correspondent Replies

Since IPO grading is meant to assist novice investors in making investment decisions, we found post-listing price a better yardstick. It is something that investors can relate to. Relative P/E multiples and share price volatility are difficult for retail investors to fathom. Besides, SEBI wants investment bankers to become more accountable and provide, while filing a new prospectus, price-based performance of IPOs they managed in the past.

Top Gun

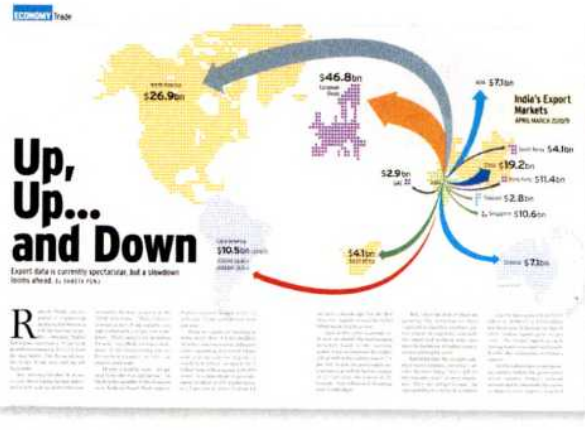
With the global economy facing the threat of a slowdown, your cover story (*The Rainmaker*, Oct 30) is timely for the IT industry. Hats off to Francisco D'Souza for turning the fortunes of Cognizant around. Right now, it may appear tiny compared to IBM and Accenture, but the biggies had better watch out.

P. Rai, *Bangalore*

Clarification

In *Up, Up...and Down* (*BT*, October 30), some data may have seemed confusing. Indian exports for 2010/11 were incorrectly mentioned as $246 billion (page 68). That was the government's provisional estimate. The revised estimate is $254 billion (page 65). Also, the number for Indian exports in the April-June quarter – $128 billion (page 66) – included services exports.

Hats off to Francisco D'Souza for turning the fortunes of Cognizant around. Right now, the firm may appear tiny when compared to IBM and Accenture, but with the way it is growing, the biggies had better watch out



www.businesstoday.in/coverstory: *The Rainmaker* (Oct 30) looks at Francisco D'Souza, under whom Cognizant has turned the outsourcing model on its head

www.businesstoday.in/coverstory: *The Kumar System* (October 16) looks at Kumar Mangalam Birla's vision and his goal to be a global major

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MUST SEE THIS FORTNIGHT

Overseas movie-goers eager for Bollywood films

Spurred by the success of films like *My Name Is Khan* and *3 Idiots*, global film distributors are increasingly keen on Indian films. Even independent and regional films are in high demand, reports **Anusha Subramanian** from the first-ever Mumbai Film Mart at the Mumbai Film Festival.

businesstoday.in/mami

WEB EXCLUSIVES

Behind our Cognizant Cover

BT's **Josey Puliyenthurthel** and **Anika Gupta** chat about the recent Cognizant cover and why it's worth keeping an eye on the company, in our first-ever podcast. Listen at:

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Can F1 replace cricket?

As audiences rev-up for India's first F1 race, **Dearton Thomas Hector** examines whether F1 can capture the interest of marketers who are tiring of cricket.

businesstoday.in/f1-cricket

Sops for Exports Not Enough

As economic figures worsen, the government takes refuge in rising exports. But it will take more than financial sops to keep exports robust.

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PERSPECTIVE HIGHLIGHT

Kushan Mitra
A New Eon on Indian Roads

Hyundai's cheapest car ever, the new Eon, is the best-looking in its class. Looks like Maruti Alto's free run is about to end.

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BLOGS

Word Mentality
Uma Asher

Indians may use the phrase "pass out" to mean "graduate", but the phrase has a very different meaning in other parts of the world.

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Chatterati
N. Madhavan

Six important lessons from Steve Jobs' life.

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Book Bazaar
Debashish Mukerji

The first print run of Chetan Bhagat's new novel is half a million copies, an unparalleled feat in Indian publishing.

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Start-up Today
Taslima Khan

Online retailers are expanding their product offerings, but will customers come along for the ride?

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THE YEAR
Consumer Survey of
Product Innovation
2011
Winner Shower Gel Category
Survey of over 30,000 people
by Nielsen
* Aqua Pulse Shower Gel has been voted Product of the Year 2011

AFP

New wheels for tech town: Bangalore becomes the first city in south India to get a modern metro system. One up on Delhi, the network provides Wi-Fi connectivity on-board, in keeping with the city's image as the one that stole tech jobs from the West

Corporate

Days after the **Sahara Group** announced its purchase of a stake in Vijay Mallya's F1 team for $100 million, it suffered a blow-out. The **Securities Appellate Tribunal**, which hears appeals against SEBI's orders, upheld the market regulator's ruling asking Sahara to **return ₹24,000 crore to nearly 30 million investors**. The investors had shown unusual trust in buying bonds floated by two Sahara companies even though they were **unsecured, came at a stiff premium, and may not have followed all disclosure norms**.

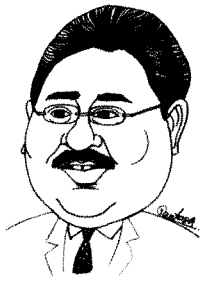
The latest strike at **Maruti Suzuki's Manesar plant** ended on October 21 after 14 days of nearly zero production. Three spells of labour unrest this year have already **robbed the company of at least ₹2,000 crore** as it will produce **64,000 fewer cars this year**.

In these times of gathering gloom, Infosys Technologies provided a flicker of hope by reporting better than expected results for the second quarter, then quickly snuffed it out by sounding a cautionary note, citing - what else - the uncertain global macroeconomic environment. Over 70 per cent of the Indian IT industry's $76 billion revenues come from the US and European markets.

In contrast, Tata Consultancy Services reported a slightly lower increase in quarterly net profit than estimated, but matched Infosys's tone in giving the outlook. It does not expect to increases its prices in the near term owing to - sigh! - global economic uncertainty. The good thing is that it has not seen any project cancellations or cutbacks in client spending on technology.

Reliance Industries, under scrutiny of the Comptroller and Auditor General on production sharing contracts with the government in the Krishna-Godavari Basin, posted its highest net profit ever, thanks to higher gross refining margins. The company posted a 15.8 per cent rise in net profit at ₹5,703 crore for the July to September quarter. RIL's gross refining margins, or GRMs, on turning every barrel of crude oil into fuel, were up 27.8 per cent at $10.1 – $1 higher than the benchmark Singapore GRM. "All our manufacturing facilities operated at record levels," said RIL Chairman and Managing Director **Mukesh Ambani**.

The death of the former Libyan leader Muammar Gaddafi will expedite the return to normal oil output levels, according to the state-run National Oil Corp. His killing in his hometown of Sirte may help in getting a lot of fields back into production as soon as possible according to National Oil Corp. The country's output fell to 45,000 barrels a day in August from pre-crisis levels of about 1.6 million, according to data compiled by Bloomberg.



Raj Rajaratnam, the Galleon Group LLC co-founder, was given an 11-year sentence, the longest for insider trading in the US. Prosecutors said Rajaratnam made more than $72 million by using illegal tips to trade in stocks of companies including Goldman Sachs Group Inc., Intel Corp., Google Inc., ATI Technolgies Inc. and Clearwire Corp.

iPhone 4S is flying off the shelves in the US, selling more than four million devices in the first three days after it was introduced on October 14. But the company missed analysts' estimates as new Chief Executive Tim Cook reported a $6.62 billion net profit in his first earnings report. Rival Samsung launched the first smartphone running on Google's latest version of Android, combining software used in tablets and smartphones.

CARICATURES BY SANTOSH

Economy

Finance Minister Pranab Mukherjee admitted that the global uncertainty and the rise in oil and commodity prices are affecting economic growth, which could fall short of the expected eight per cent. It will also be difficult to meet the budgeted fiscal deficit target of 4.6 per cent of gross domestic product in 2011/12. (See also page 16.)

This is a different realty show. The Bharatiya Janata Party's first

Chief Minister in south India, **B.S. Yeddyurappa**, was sent to judicial custody by the Lokayukta Special Court in Bangalore. His bail plea was rejected in two cases relating to denotification of land for monetary gains.

The **finance ministry** ruled out a rights issue by **State Bank of India** in the current financial year. SBI had sought permission for a rights issue of at least ₹20,000 crore. Even as ratings agency **Moody's** downgraded the bank citing low core capital and weak asset quality, Pranab Mukherjee said the government would infuse sufficient capital into SBI and other public sector banks.

$100

Value of free premium apps being offered by Research in Motion to appease each BlackBerry customer after massive service disruption. Though late, Indian telecom carriers extended the offer to their customers. BlackBerry App World has 26,000-odd developers from India, against 5,000 two years ago, with over 40,000 apps.

₹45 cr

Ad hoc payment to be shelled out by BSES Rajdhani Power and BSES Yamuna Power to clear Damodar Valley Corporation dues by November 30. This follows a Supreme Court warning that the power distribution companies were not indispensable. Delhi was staring at a dark Diwali as the discoms claimed to be broke.

Markets

Ahead of the Diwali season, what do the Euro debt crisis, slowing global growth and the bearish equity markets mean for gold? Demand for gold exchange traded funds in India, the world's largest consumer of the metal, is set to explode, says a *Reuters* report. In the last four years, volumes in gold ETFs have grown over 164 per cent. In India it is currently more than 15 tonnes. The annual physical gold demand is 900 tonnes.

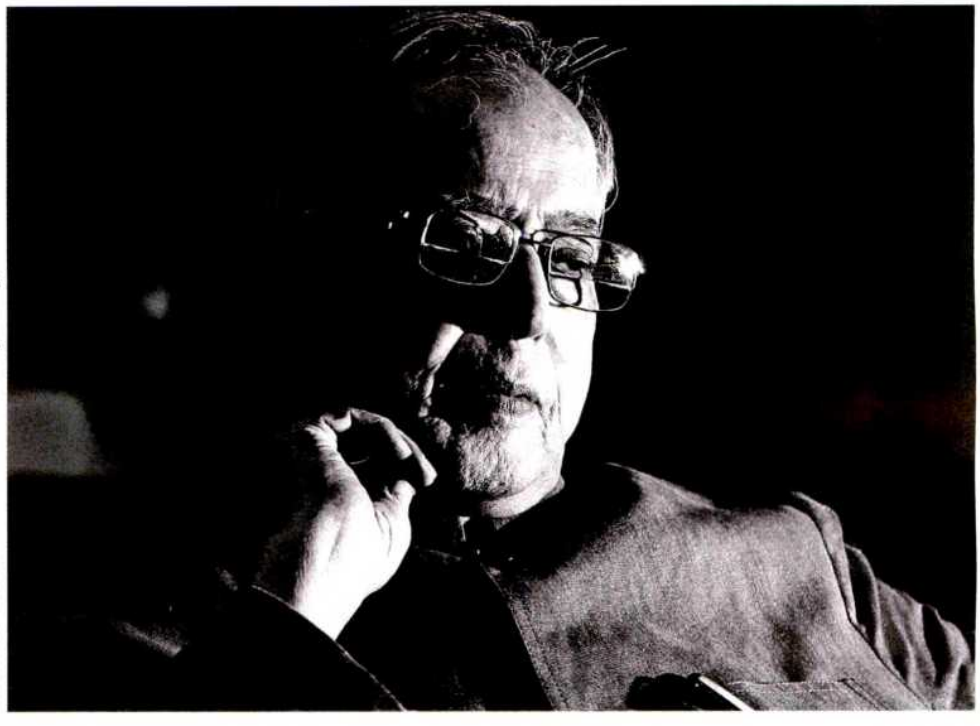
Occupy Wall Street, a term first coined by Canadian magazine ***Adbusters,*** which described Wall Street as the financial Gomorrah of the US after the Biblical city synonymous with vice, is gaining currency. The movement against corporate greed, which began on September 17, and has so far been non-violent, is drawing thousands across the US, Asia and Europe.

Coming Up

Finally, India's first ever Formula I race is all set to blast off on October 30. Whether the trend will push Indians to favour sports other than cricket remains to be seen (see *New Kid Off the Block*, *BT*, Oct 30). As the excitement builds up, private sector general insurer HDFC ERGO is providing a $15 million cover. The insurance is against adverse weather, non-appearance of teams, riots, strikes and civil commotion leading to cancellation of the event, its postponement or relocation.

FOCUS

19 Succour for More
20 Taste of China
30 Buy India, Buy
36 Microsoft's Big Bet



SHEKHAR GHOSH/www.indiatodayimages.com

Slipped Fisc

If you think this year is bad, wait till the next one comes around.

By SANJIV SHANKARAN

₹12.57 TRILLION
Projected Govt. spending in FY12

Every year in October, financial advisors of 49 of the union government's 50 ministries begin trooping into the finance ministry to hold preliminary discussions for the coming financial year's budget. This year, the exercise began on October 21, and financial advisors are likely to be given blunt advice: temper your demands and lower expectations. The reason: India is stumbling into possibly the most challenging financial year in a decade.

Already, growth forecasts for the current year are being marked down in the wake of the worsening global economic outlook and

GLOOMY OUTLOOK

AGENCY	FORECAST FOR FY12 (IN %)	FORECAST FOR FY 13 (IN %)	REASONS
Citigroup Global Markets	7.6	7.5	Global slowdown; impact of interest rate hikes
International Monetary Fund*	7.8	7.5	Worsening global economic situation
Economist Intelligent Unit	7.9	7.8	Global slowdown
Ambit Capital	7.1	6.2	Global slowdown
Deutsche Bank	8	8	

* For calendar years 2011 and 2012 **Source:** Research Reports

faltering industrial growth in India. On October 20, C. Rangarajan, Chairman of the Prime Minister's Economic Advisory Council, said the economy would grow "close to eight per cent" in 2011/12, just three months after he had forecast 8.2 per cent. In January, he forecast a nine per cent growth for 2011/12.

"Policy crunch is much higher than expected earlier," says Dharmakirti Joshi, Chief Economist at Crisil, explaining that a paralysed government was partly responsible for forecasts going haywire. In January, Crisil forecast 8.3 per cent growth for 2011/12 and revised it to 7.65 per cent in October.

India's economic situation today is reminiscent of late 2008 when Lehman Brothers collapsed. Inflation is high and the interest rate is being hiked to combat it. But the similarity ends there. In 2008, the fallout of the financial crisis on India was cushioned by a government that loosened its purse strings to keep the momentum going. After three years of nine per cent-plus growth and fiscal rectitude, the government could provide a crutch.

Today, after three years of loose fiscal policies and faltering economic reforms, the government has become a part of the problem. Expenditure is running high, neutralising the central bank's tight monetary policy, and tax ratios have not recovered to 2008 levels.

Finance Minister Pranab Mukherjee put matters in perspective at a conference with economic editors in October when he ruled out a stimulus next year. "That type of fiscal expansion cannot be maintained," Mukherjee said, referring to the expansion in financial deficit from 2.55 per cent of gross domestic product, or GDP, in 2007/08 to 6.04 per cent the next fiscal year on account of the stimulus to neutralise the fallout of the financial crisis. Fiscal deficit is the excess of expenditure over revenue that is met through borrowings.

Persistent inflation is the primary reason India confronts another global economic crisis in an enfeebled state. It has been over nine per cent during 11 of the last 12 months, significantly higher than the threshold of four to six per cent identified by the Reserve Bank of India, or RBI. RBI has responded with 12 interest hikes since March 2010, which, Mukherjee said, had been partly responsible for killing fresh investments.

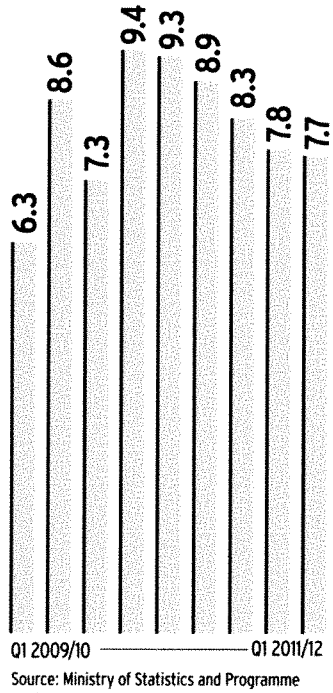
"The key to growth will be whether inflation comes under control," says D.K. Srivastava, Director of Madras School of Economics. Inflation was 9.7 per cent in September and Mukherjee forecast it would subside to around seven per cent by end-March 2012. Forecasts of a falling trend in inflation are unlikely to trigger an immediate change in RBI's tight monetary policy. According

"Perhaps the most pressing concern is persistence of inflation."

C. Rangarajan, Chairman of PM's Economic Advisory Council

LOSING STEAM

GDP GROWTH (IN %)



Source: Ministry of Statistics and Programme Implementation

to Srivastava, even if inflation hits a plateau soon, RBI will wait for about two months before it starts rolling back interest rates.

An unintended effect of the rate hikes is that it has made the government a part of the economic problem, a factor that may explain Mukherjee's pique. Government spending is almost never rolled back. For instance, total expenditure in financial year 2002/03 was ₹4.13 trillion and by the end of March 2012 it is expected to be ₹12.57 trillion. The increase in expenditure would not be a problem if revenue growth outpaced that of expenditure. In India, however, tax revenue rests on a narrow base of taxpayers and depends heavily on the performance of top companies. "It is very sensitive," says Ketan Dalal, Joint Leader, Tax & Regulatory Services, PricewaterhouseCoopers. Moreover, a dip in profit at the top has a ripple effect that travels through the supply chain.

To make matters worse, the growing engagement of India's top companies with the global economy makes them vulnerable to problems in Europe and the United States. "Slowdown in the global economy is very sharp and risks have risen," Joshi says. The upshot of the global linkage is that tax revenue is vulnerable to the downturn. "They are far more tied to the global economy as compared to 2001, maybe slightly more than 2008," Dalal says of the top companies.

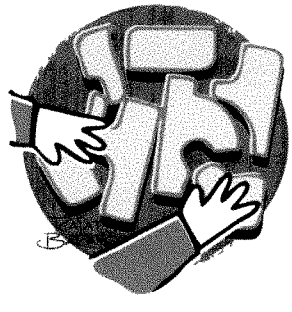
The combination of increasing expenditure and tax revenue that is sensitive to economic conditions is that fiscal slippage continues. Mukherjee admitted that it would be a struggle to stick to the current year's target of keeping fiscal deficit at 4.6 per cent of GDP in 2011/12. A Goldman Sachs report has forecast it could slip to 5.8 per cent of GDP, nudging interest rates higher and dragging down the investment climate. Fiscal slippage, therefore, means two things: there is no space left for a stimulus next year and it is a drag on growth. "A risk to the economy is emanating from the fiscal front where slowing growth is causing a sharp increase in the fiscal deficit and raising bond yields, which can then put further downward pressure on growth," the Goldman Sachs report says.

In a gloomy scenario where the government cannot compress expenditure, the only possible solution is that it re-orients its spending towards creating infrastructure, which would begin to ease supply constraints. Srivastava points out that 2012/13 will be the first year of the 12th Five-year Plan and the government could step up its spending on creating capacity. "The appropriate thing is to restructure government expenditure which will be beneficial to growth," he says.

About 45 per cent of total expenditure are locked into subsidies, interest payments on outstanding loans and defence spending. It leaves Mukherjee with little room to change the spending pattern. "If spending has to be changed, it requires a lot of political will," Srivastava says. But that is not forthcoming.

WORDSMITH
(NEW WORDS IN BUSINESS)

Unpack



Meaning: To decipher, explore or examine in detail.

ORIGIN: While the word came into being between 1425 and 1475 A.D., its usage as a business term began over the last decade.

Usage: "The agenda of the meeting is to unpack this concept before arriving at a functional decision."

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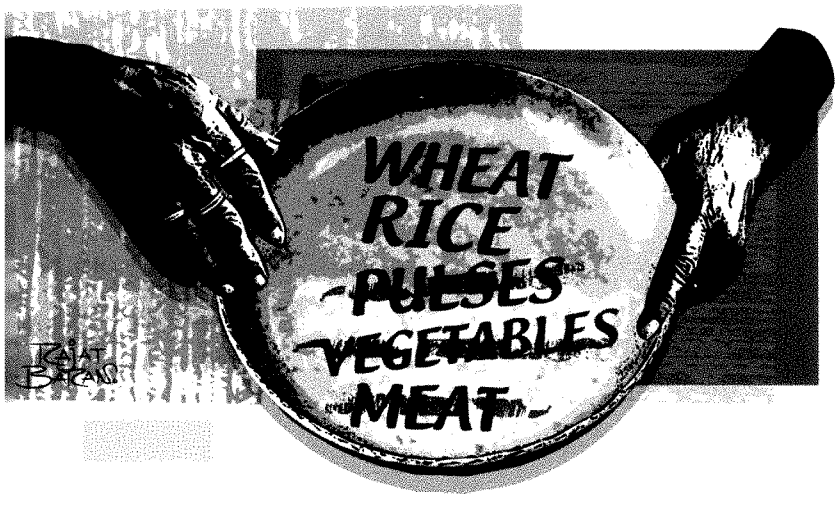
TMN

Provisioning For More

The draft food security Bill has potential to be a historic legislation, but problems remain. By SHWETA PUNJ

What is proposed: The Empowered Group of Ministers recently cleared the draft National Food Security Bill, 2011 which aims to cover 67.5 per cent of India's 120 crore people, including three-fourth of the rural population and half the people in urban areas. Broadly, the Bill proposes free food grain for the very vulnerable sections, and food grain at subsidised rates for households categorised as 'priority' and 'general' under the targeted public distribution system, or PDS. Priority households will get seven kg of food grain per person per month at ₹3 per kg for rice, ₹2 per kg for wheat, and ₹1 per kg for coarse grain, while general households will get three kg of food grain per person per month at 50 per cent of the minimum support price, or MSP, for wheat and coarse grain, and the derived MSP for rice. After eliciting comments from the public, the final draft is expected to be tabled in Parliament in the winter session. But given the political nature of the Bill, further delays are possible.



What will change: The Bill makes the right to food a legal right. It promises succour to two-thirds of the nation, expanding an existing food subsidy scheme that covers 180 million of the poorest people. "For the first time in the history of India, the chronically hungry will get food for free," says Yogendra Alagh, a former union minister and economist. India is ranked 67 among 81 countries on the International Food Policy Research Institute's Global Hunger Index 2011. Better food security will mean more productive labour, higher wages and better opportunities – essentially inclusive growth.

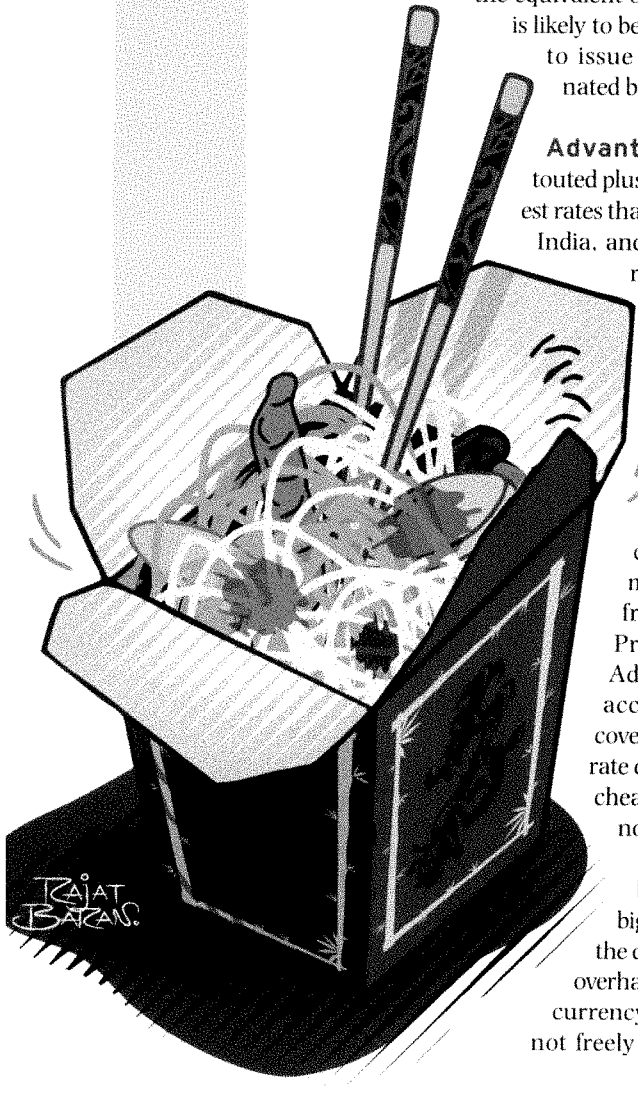
Deficiencies: One, the provision of food grain for the general category at half the MSP could mean that such people might end up paying higher prices in the long term due to the annual upward revisions in the MSP. Two, according to agriculture economist Devinder Sharma, the legislation will cover fewer people, as currently there are 90 crore holders of ration cards eligible for access under PDS, or 75 per cent of the population. Three, the Bill does not adequately address nutrition. "People don't eat only grain. If you look at the consumption pattern, people are consuming more vegetables, pulses, milk. This is a big deficiency in the Bill," says Sharma.

Challenges: Two key challenges are ensuring the targeted groups get the benefits and the leakages that have plagued the PDS are plugged. Also, given the controversy over India's poverty line, the task of separating the weakest from the weaker sections will be daunting. "Leakages happen when there is a temporary system with exceptions and no universal coverage. Under the new system leakages could come down from 40 per cent to 5 to 7 per cent," says Alagh.

Taste of China

A new avenue of funds emerges from China, but dim sum bonds are not for everyone. By SHALINI S. DAGAR

What is proposed? The Reserve Bank of India, or RBI, recently carved out an allowance of $1 billion from the overall limit of external commercial borrowings for so-called 'dim sum bonds' for Indian companies interested in raising such funds. Dim sum bonds are instruments which are denominated in the Chinese currency renminbi and are issued in Hong Kong. China opened this market to foreign issuers last year. Infrastructure company IL&FS reportedly aims to raise the equivalent of $200 million, and is likely to be the first Indian firm to issue renminbi-denominated bonds.



Advantages: Among the touted pluses are cheaper interest rates than those prevailing in India, and the fact that theoretically even unrated companies can raise remnimbi funds. Also, the dollar markets may not be accessible to many companies. But for the cautious, those are not compelling arguments. "There are no free lunches," says Prabal Banerji, CFO, Adani Power. "If one accounts for forward cover cost and exchange rate differential, optically cheaper rates can mean nothing."

Downsides: The big question mark over the dim sum bonds is the overhang of the "managed currency". The renminbi is not freely convertible and is pegged to the dollar. Given global imbalances and the direction of capital flows, it is quite likely that the renminbi will free float at some point in time. "It will be sooner rather than later, and when the peg goes it is quite possible that a rapid 15 to 30 per cent appreciation (versus the dollar) will happen," says Banerji. So clearly, debt repayment commitments in renminbi do not cut ice with him. He is clear that dim sum bonds should be an option of last resort for conservative companies.

Given currency revaluation expectations, the interest of investors and issuers in these bonds may not always match in terms of tenor and coupon, or the interest rate. Issuers are more inclined towards the shorter term. Deals are still being done, though. Recently, Malaysian sovereign fund Khazanah raised funds via this route. Also, given its nascent stage, the dim sum bond market still has significant liquidity issues.

Who will go for dim sums? "Either it is companies that have significant business interests in China and therefore a natural hedge against currency volatility. Or companies that are keen on diversifying their currency risk," says Zafar Syed, Head of Financing and Rates Sales Business, Deutsche Bank. For companies that have receivables and payables in renminbi, this avenue of fund raising may still be relevant. Large corporate treasuries may be interested in them as investors, where they would be extremely attractive instruments despite low yields.

According to bankers, most issuers will adopt a wait-and-watch policy for now. "Most companies would rather see the first few transactions, observe their performance in the secondary market and then raise funds themselves," says Manmohan Singh, Managing Director and Head of Debt Capital Markets at RBS India.

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Mahindra
Ris

Cleaner Deals

Transferring property through a power of attorney does not amount to sale. By K.R. BALASUBRAMANYAM

A 19-page Supreme Court judgment on October 11 could go a long way in clearing up the murk in property deals. The court has clarified that a general power of attorney, sale agreement or will transfer does not effectively transfer ownership of immovable property, and cannot be recognised as a sale. For changes to be made in municipal or revenue records, a registered sale deed is necessary. The judgment notes that such power-of-attorney transactions, which were only prevalent in Delhi and neighbouring states, are spreading to other states.

One likely effect of the judgment is that buyers will exercise greater caution and prefer to deal directly with original landowners or, at least, insist on their presence while negotiating a deal. Another possible outcome is that states will reduce stamp duty, which would encourage people to register transactions and pay duty.

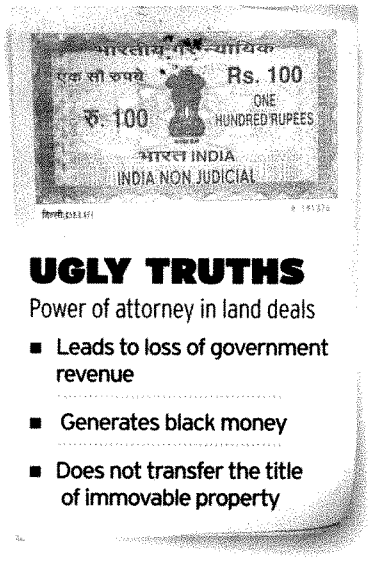
Until now, buyers and sellers in large deals seldom negotiated face-to-face. Real estate developers typically negotiate through an agent who secures a general power of attorney from the original property owner, often by paying the owner a fraction of the market price. The process is often murky, with the agent 'persuading' the owner to part with his or her property through intimidation.

Buyers are often aware of the agents' methods, but, as a leading developer admits, middlemen are useful because they are familiar with procedures and formalities. Property owners, by contrast, are generally not conversant with procedures, and they are often too many to deal with.

"The ruling will not only help curb evasion of stamp duty, but also limit the use of black money and help establish clear titles to property," says Sachin Sandhir, Managing Director of RICS South Asia, a self-regulatory professional body for qualifications and standards in real estate.

In a few states, including Delhi, Haryana and Uttar Pradesh, the authorities have made changes in municipal and revenue records on the basis of general power of attorney documents. Typically, if a property dealer buys land in order to resell it, he saves on stamp duty by getting a power of attorney. Only the final buyer coughs up the money for stamp duty and the registration fee. The Supreme Court judgment is likely to change this practice.

Vasudevan Madhu, former revenue secretary of Karnataka and now Managing Director of Provident Housing, says states should start collecting stamp duty only on the incremental value of the property. "The judgment will drive compliance, because it will put the fear of law into the mind of the buyer," he adds. ◆



UGLY TRUTHS

Power of attorney in land deals

- Leads to loss of government revenue
- Generates black money
- Does not transfer the title of immovable property

A copy of the full judgment is at www.businesstoday.in/gpa

LAPPING UP LUXURY

THE INDIAN LUXURY MARKET DEFIES THE SLOWDOWN IN THE ECONOMY

20%
The growth recorded by the Indian luxury market in 2010.

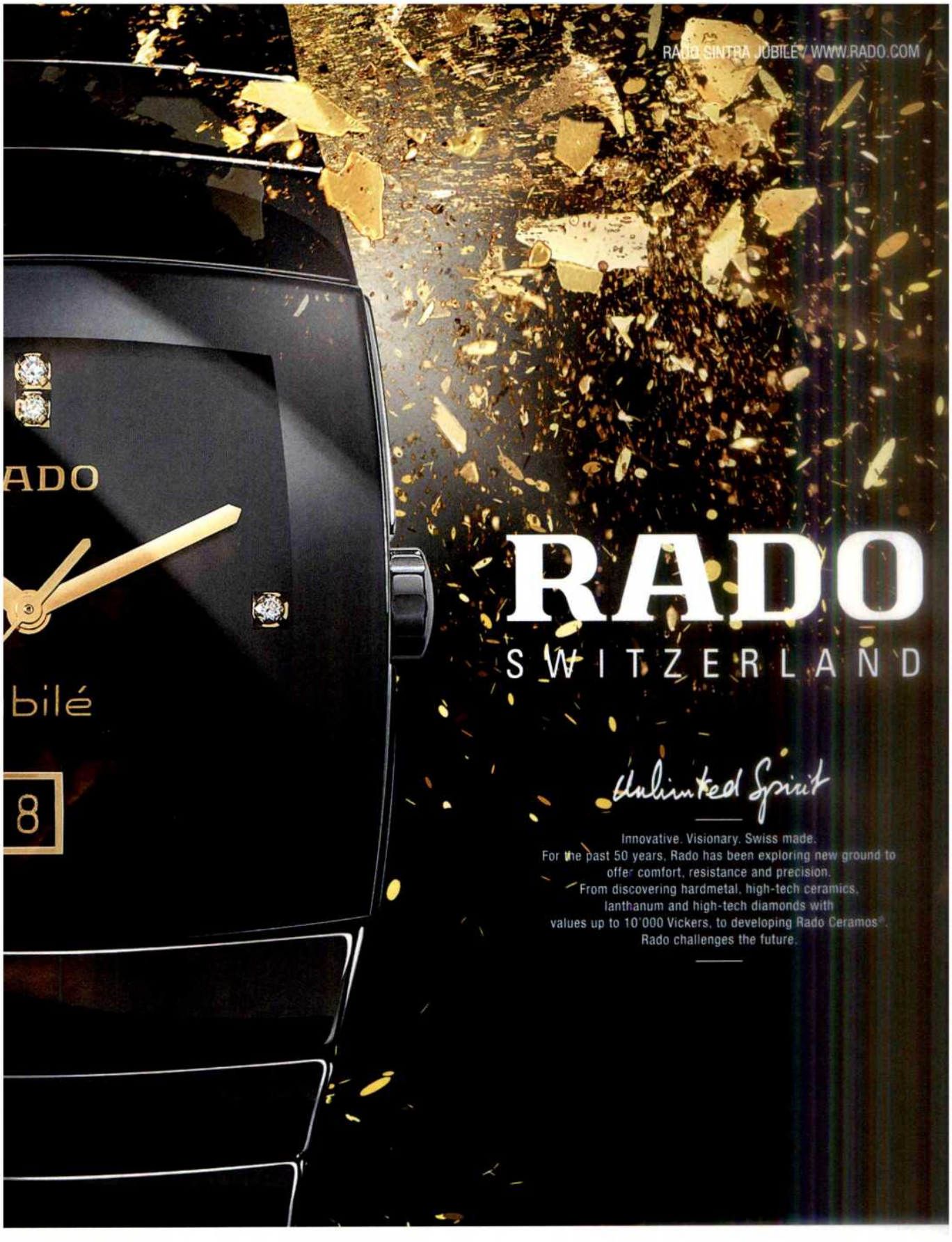
30%
The growth in the jewellery segment in 2010, which was largely due to the spurt in gold and diamond prices.

35%
The growth in the luxury electronics and car segments in 2010. Fine dining saw a 40 per cent growth during the year.

$5.8 BN
The size of the Indian luxury market in 2010, which stood at $4.75 billion in 2009.

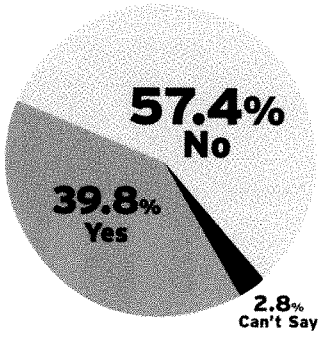
$14.7 BN
The estimated size of the Indian luxury market by 2015.

Source: CII



RADO STORES: AHMEDABAD: Navrangpura, CG Road, Ph: 26442802. **BANGALORE:** Mantri Square Mall, Ph: 30160121; The Collection, UB City, Ph: 40982107. **COCHIN:** Oberon Mall, Ph: 4060336. **CHENNAI:** Ampa Mall, Ph: 42613000; Express Avenue Mall, Ph: 28464224. **GURGAON:** Ambience Mall, Ph: 4665607. **HYDERABAD:** Banjara Hills, Ph: 23420070. **KOLKATA:** Forum Mall, Ph: 22814466; Mani Square Mall, Ph: 40002954. **MUMBAI:** Borivali (W), Ph: 28337244; CR2 Mall, Ph: 67439854. **NEW DELHI:** Connaught Place, Ph: 43575253. **NOIDA:** Great India Place Mall, Ph: 4210121.

IS THE PLAN PANEL'S CRITICISM OF THE UID PROJECT UNDER NANDAN NILEKANI JUSTIFIED?



Results of *BT* online poll;
No. of respondents: 131

A majority of respondents has replied in the negative. This is not surprising considering the impeccable credentials of Nandan Nilekani as a manager on the one hand and the mistrust with which politicians and bureaucrats are viewed by the public on the other. By calling for checks and balances in the functioning of the Unique ID Authority, the Plan panel has shown that it is more concerned about following government procedures and processes than the successful and speedy rollout of this landmark project.

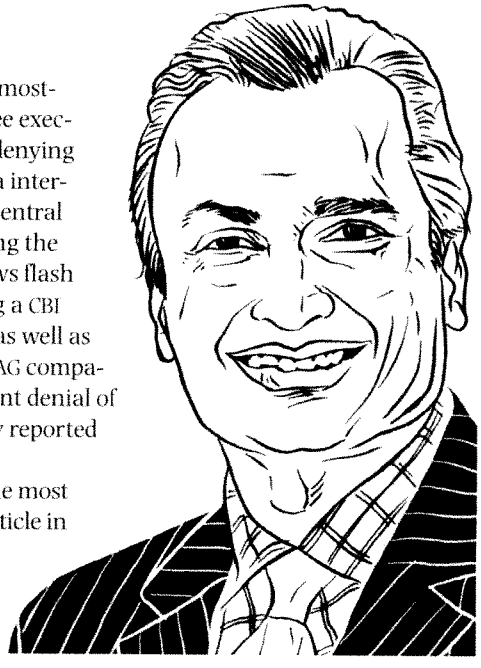
Next poll question:
Is the government trying to defang the RTI Act?
Log on to
www.businesstoday.in

BT-CARMA
CEO WATCH
INDIA'S AND THE WORLD'S MOST TALKED-ABOUT CEOs (SEPTEMBER 2011)

Anil Ambani

Anil Ambani of ADAG topped the list of most-discussed CEOs. The news about the three executives of ADAG arrested in the 2G scam denying any wrongdoing generated much media interest, as that raised the possibility of the Central Bureau of Investigation, or CBI, extending the probe dragnet to Ambani himself. A news flash from a reputed wire agency announcing a CBI clean chit to Ambani in the Swan deal, as well as the news of the stock prices of some ADAG companies rising in its wake, and the subsequent denial of any clean chit by the CBI, were all widely reported in the media.

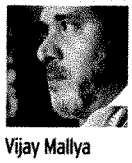
ICICI Bank chief Chanda Kochhar was the most favourably reported CEO, thanks to an article in *Fortune* extolling her leadership that was reprinted extensively in the local media, as well as her becoming the first woman to get the ET Biz Leader Award.



RAJAT BARAN

TOP 10 INDIAN CEOs

Mukesh Ambani


Vijay Mallya

Rank	CEO/Company	No. of Stories	
1	**Anil Ambani/**ADAG	41	▲
2	**Mukesh Ambani/**Reliance Industries	14	▲
3	**Sunil Mittal/**Bharti Enterprises	11	NEW
4	**Ratan Tata/**Tata Group	11	▼
5	**Pratip Choudhuri/**SBI	8	▲
6	**Vijay Mallya/**Kingfisher	8	NEW
7	**Kishore Biyani/**Future Group	6	NEW
8	**Chanda Kochhar/**ICICI Bank	5	NEW
9	**Sudhir Vasudeva/**ONGC	5	NEW
10	**Anand Mahindra/**M&M Group	4	NEW

TOP 10 GLOBAL CEOs

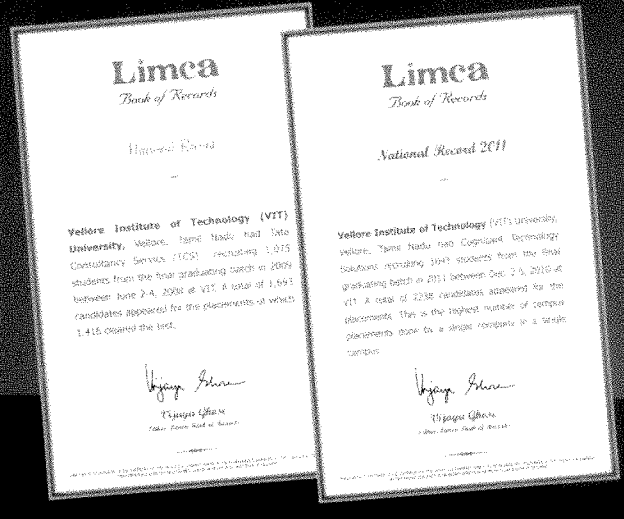
Warren Buffett

Josef Ackermann

Rank	CEO/Company	No. of Stories	
1	**Warren Buffett/**Berkshire Hathaway	203	▬
2	**Oswald Grubel/**UBS	97	NEW
3	**Rupert Murdoch /**News Corp	90	▼
4	**Carol Bartz /**Ex-Yahoo	52	NEW
5	**Josef Ackermann/**Deutsche Bank	46	▼
6	**Brian T. Moynihan/**Bank of America	45	▼
7	**Meg Whitman/**Hewlett Packard	44	NEW
8	**Martin Winterkorn/**Volkswagen	37	NEW
9	**Leo Apotheker/**Ex-Hewlett Packard	30	▼
10	**Jeff Bezos/**Amazon	28	NEW

We set a record only to break it soon after.

2011 : 1643 students placed at Cognizant
2009 : 1075 students placed at TCS



Cognizant, one of the top IT companies in India, doesn't settle for anything less than the best. Which is why, when they came to VIT for recruitment, they found the very best on campus. In fact, they found an astonishing 1643 worthy candidates and made it to the Limca Book of Records for the highest number of candidates placed in a company from a single campus. A significant increase from VIT's 2009 record of 1075 students placed at TCS. Proof that at VIT, we groom students to excel in academics and leadership. So that the best of students get picked up by the best of companies.

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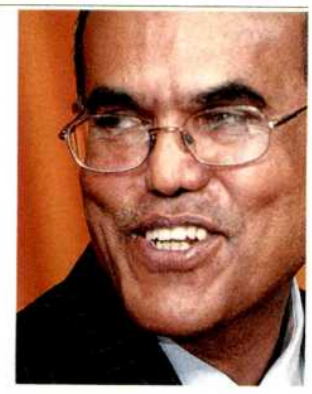
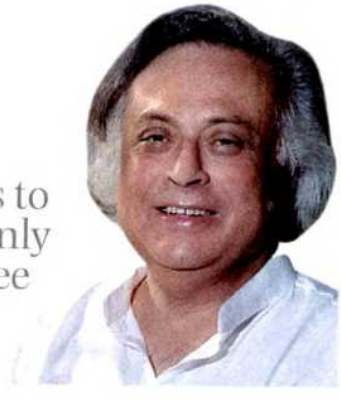


""We are deeply committed to making India a low-interest rate regime but that will take time."

Duvvuri Subbarao, *Governor, Reserve Bank of India, quoted by wire agencies*

"What is needed to encourage growth and investment? If you lock up top businessmen, will investment come?"

Salman Khursheed, *Union Law Minister, in* The Indian Express



"MFIs are not answers to poverty alleviation and certainly not the panacea they like to see themselves as."

Jairam Ramesh, *Union Minister for Rural Development, at a book release function, quoted by wire agencies*

"FOR OUR BUSINESS TO EXPAND IN THE FUTURE, WE HAVE TO FOCUS ON INDIA, CHINA AND BRAZIL."

Hiroshi Nakagawa, *Managing Director, Toyota Kirloskar Motor, in an interview in* Mint

CLASSIC BUSINESS QUOTE

"Rank does not confer privilege or give power. It imposes responsibility."

Peter Drucker,
Management Guru

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My mummy makes locks that she can open with her mobile like magic.

She works at *Ingersoll Rand.*

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THE TOP 10 Most Watched Ads

September 2011

1 Rank

Nokia C2-00 — GRPs 957

Seconds on air: 3,78,945

2

Hero MotoCorp — GRPs 721

Seconds on air: 3,23,810

3

Vodafone Cellular Phone Service — GRPs 716

Seconds on air: 6,01,965

4

Cadburys Bournville — GRPs 711

Seconds on air: 4,22,505

5

Dove Hair Fall Rescue — GRPs 676

Seconds on air: 2,81,910

6

Pears — GRPs 668

Seconds on air: 2,52,280

7

Samsung Hero — GRPs 626

Seconds on air: 3,01,395

8

Complan Memory — GRPs 611

Seconds on air: 1,34,965

9

Tata Vista Sedan Class — GRPs 610

Seconds on air: 2,64,795

10

Colgate Dental Cream — GRPs 584

Seconds on air: 3,00,290

There is a curious change in the advertising pattern as we move into the festive season. Consumer durable ads are conspicuous by their absence in our top 25 list this time. The scenario is redeemed only slightly by the presence of three auto brands. Wonder if this reflects a cautious mood among companies, which are switching from advertising on telly-screens to store fronts. The other aberration is the Limca ad. Go figure.

COMPILED BY SHAMNI PANDE

... THE OTHER 15

RANK	BRAND	GRPs
11	Nokia Mobile Phone	556
12	Pantene Total Damage Car	594
13	Olay Natural White Cream	531
14	Dove Face Wash	525
15	Fair & Lovely Multivitamin	503
16	Colgate Sensitive Pro-Relief	501
17	Ford Fiesta Classic	499
18	Complan	479
19	Cadburys Gems	477
20	Vodafone Cellular Phone	475
21	Tata Sky	474
22	Vaseline Healthy White Body Milk	469
23	Dove Cream Bathing Bar	467
24	Amul Macho Innerwear	464
25	Limca	557

All India CS 4+Yrs; GRP normalised to 30 secs
To see ad duration, visit www.businesstoday.in
Source: TAM Peoplemeter System

Mahindra

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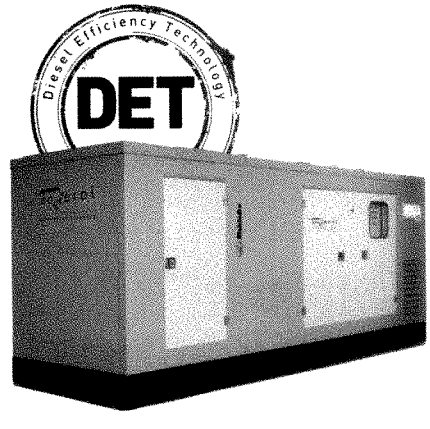
Fuel efficient, long life engines | Low vibration & noise levels | GPRS equipped (Optional)
Over 300 sales & service touch points | Frost & Sullivan Voice of customer award 2010 –
Best Bang for the Buck & Most Preferred Brand in Telecom Segment | Range 2.5 kVA TO 500 kVA

FESTIVE OFFER
Now get Warranty upto 5000 hours or for 2 years*

INTERFACE 1X1843

Mahindra powerol Engines & DG sets
powered efficiently



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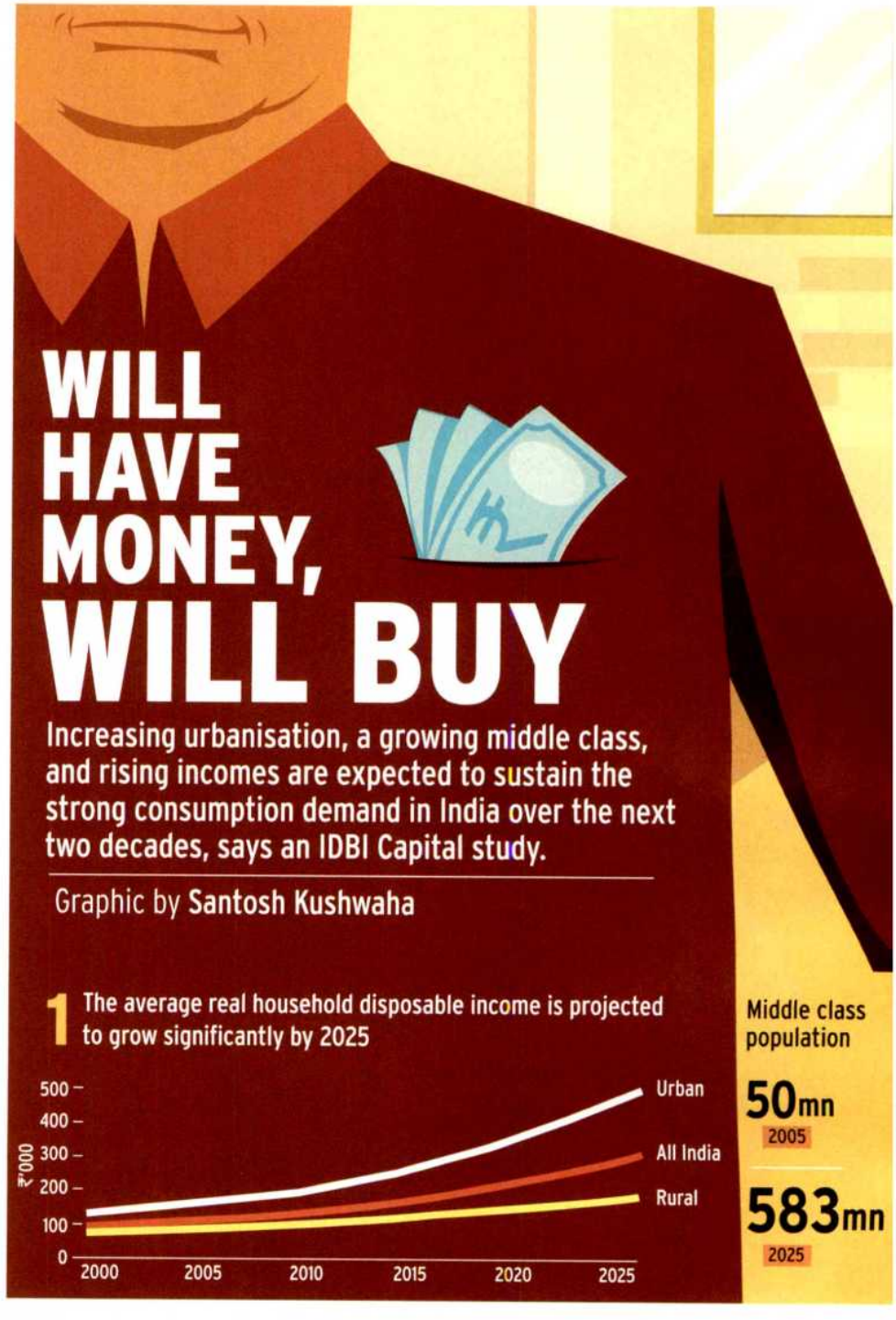
BT RETRO
(JULY 29, 2007)

Exit Danone, Enter Kraft?

THEN: If Nusli Wadia was looking for a new partner for Britannia Industries, he didn't have to wait too long – and didn't have to do too much. His current joint venture ally, Groupe Danone of France, is in dialogue with Kraft Foods of the US to sell its biscuits and cereal products portfolio that includes brands like LU, Cracotte and Petit Dejéuner. This will be for the sale of Danone's biscuits and cereal products business across the world except India and Latin America. The French foods giant and the Wadia group each own a 25.1 per cent stake in Britannia. Both the partners have had an uneasy relationship for a while now. Globally, Danone's biscuits and cereal products business registered sales of €2 billion against the company's total revenues of over €14 billion. At an offer price of €5.3 billion, Kraft will be paying a large premium for Danone's biscuits and cereal products business. If Kraft doesn't buy out Danone's stake in Britannia, the French corporation may decide to sell it to the Wadias. At Britannia's current market capitalisation of around ₹4,100 crore, Danone's 25.1 per cent holding is worth over ₹1,000 crore.

NOW: After its bitter break-up with the Wadia group in 2009, Groupe Danone has kickstarted its €600-million bottom-of-the-pyramid business by launching a milk-based fortified dessert called Fundooz in India. However, about 70 per cent of Danone's business in India comes from packaged curds.



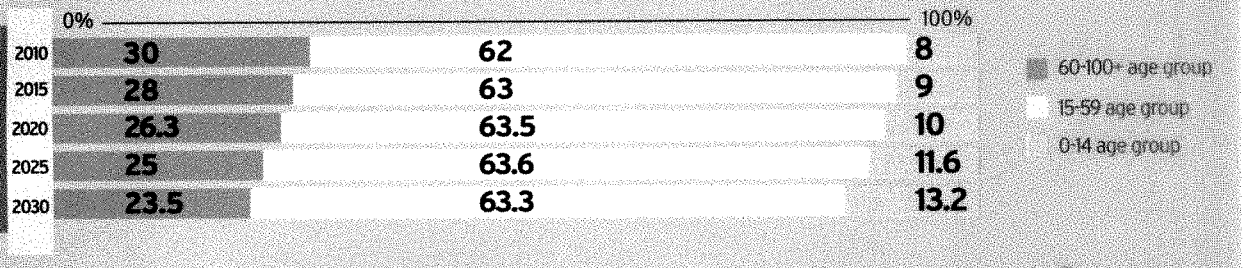
5 STEPS TO HERE
BIG BATTLE AT LILLIPUT

Sept 23, 2011
Kidswear company Lilliput's eight-member board approves its initial public offer, or IPO, plan.

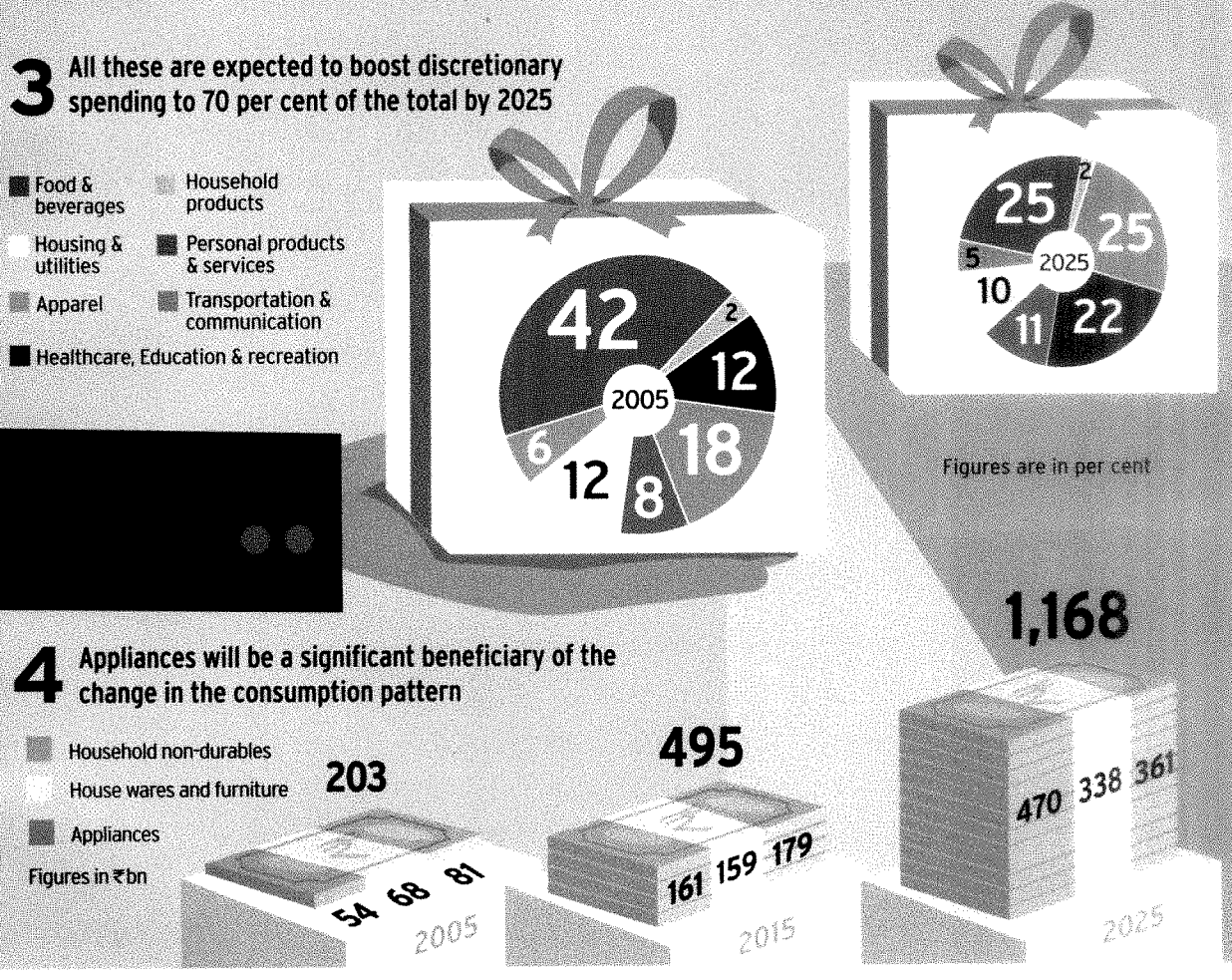
Sept 24, 2011
The stakeholders, including PE investors Bain Capital India and TPG, and promoter Sanjeev Narula, discuss the proposed IP

2 India will continue to be a young nation with the average mean age at around 24 years:

- By 2030, it will have 39.4 per cent of its people below 25 years, and 87 per cent below 60 years
- Its working age population is projected to increase from 64.6 per cent to 67.5 per cent



3 All these are expected to boost discretionary spending to 70 per cent of the total by 2025



4 Appliances will be a significant beneficiary of the change in the consumption pattern

Sept 26, 2011
The PE investors withdraw their IPO consent, accuse Narula of fudging accounts. Narula says they want to raise their stake above 50 per cent.

Sept 28, 2011
Lilliput's board disapproves of the company's financial statements for financial year 2010/11.

Oct 12, 2011
Six directors, including two nominees and four independent directors, and auditor S.R. Batliboi, resign.

ANAMIKA BUTALIA

lifestyle at the edge of delhi

SOBHA DEVELOPERS: PASSION AT WORK.

INDIA'S PREMIER DELIVERY DRIVEN REAL ESTATE COMPANY, SOBHA DEVELOPERS HAS PROVEN CREDENTIALS OF DELIVERING 43 MILLION SQ. FT. AND IS A WINNER OF NUMEROUS PRESTIGIOUS AWARDS INCLUDING 'BEST RESIDENTIAL PROPERTY WITH MORE THAN 5 LAC SQ. FT.' CNBC AWAAZ - CRISIL CREDAI REAL ESTATE AWARDS 2010.

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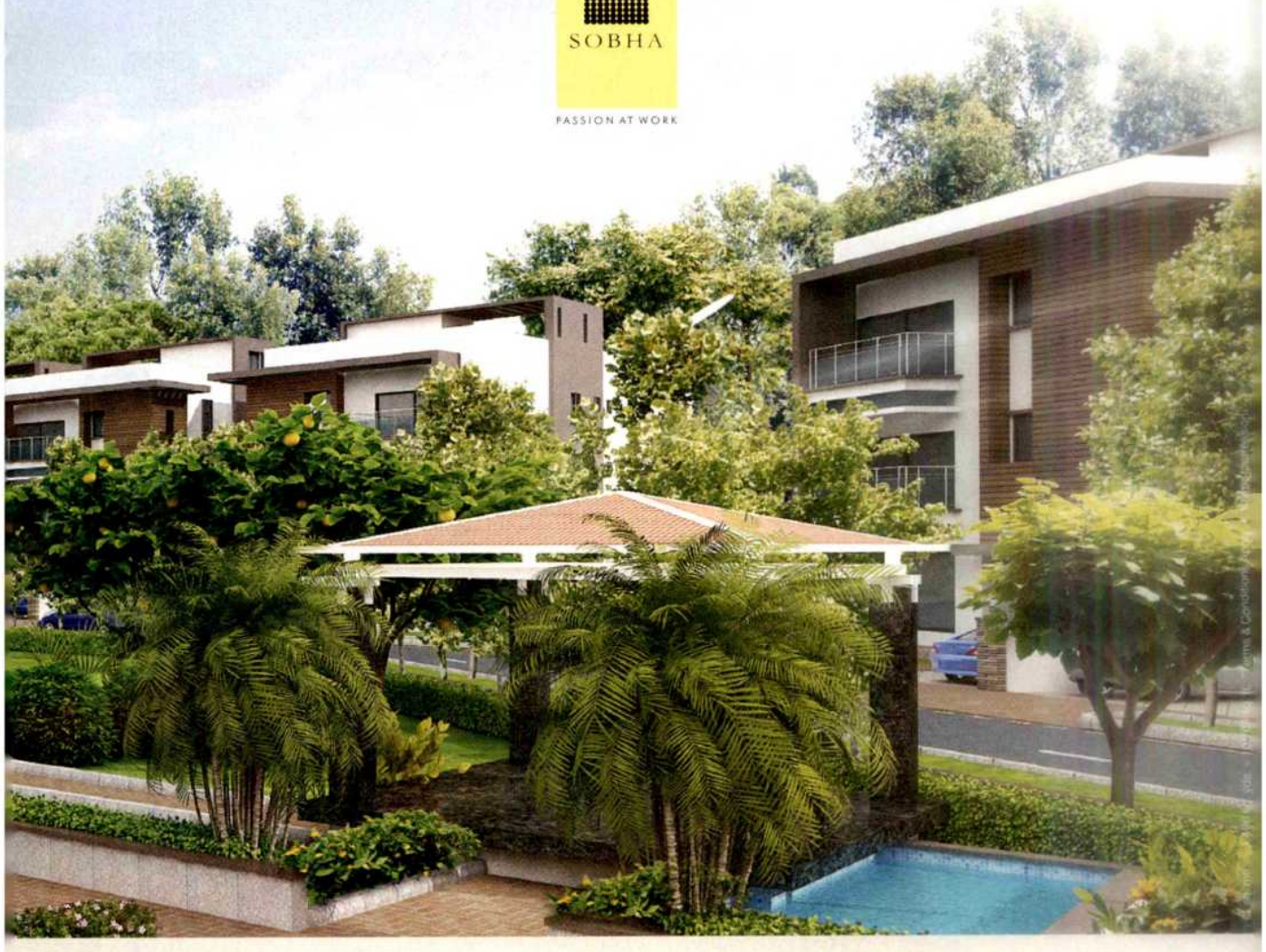

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GLOBAL ALLIANCES ARE MAKING DESIGN MORE COLLA-BORATIVE"

VIVAN MEHRA\www.indiatodayimages.com

BERNARD CHARLES, *President and CEO of Dassault Systèmes, the France-based specialist in design and manufacturing process software, was in India recently meeting clients like Mahindra & Mahindra and Tata Motors. He spoke to BT's* ***Sunny Sen*** *on globalisation, the changing design landscape, and other matters. Edited excerpts from the interview:*

On globalisation's effect: Global alliances are driving the adoption of product lifecycle management solutions. Now it is becoming a communications platform. That is a significant shift.

On clients: In the past, clients wanted toolkits like design software. Now they are asking for a solution to develop an entire car programme in a more efficient way.

On the design landscape: We helped the world move from flat drawings to 3D. This is about zero waste. It is not used by everyone yet, but it is a possibility.

On subscription-based software: We are preparing for subscription-based software. I think 'cloud' is about usage of new type of software. Smaller companies can subscribe for collaborative platforms.

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The Big Bet

Microsoft hopes to get its mobile act right with the Mango operating system. By SUNNY SEN

A few weeks ago Microsoft India's Chairman, Bhaskar Pramanik, was at a banquet hall unveiling Windows Phone 7.5, codenamed Mango, the Redmond-based software maker's latest mobile operating system. But while outwardly confident, Pramanik and his team at Microsoft India must have been hoping that Mango would keep the company from becoming irrelevant in the Indian smartphone market, which has become increasingly Android-oriented.

"We built Mango around the core that people need to stay connected, because that is the single-most important reason why they use phones," said Pramanik at the launch, keen to emphasise the 'people-centric' nature of Mango and the fact that the device came hard-coded with links to Facebook, twitter and LinkedIn.

Is it a case of too little too late? Globally, Microsoft's share in the smartphone operating system market fell to1.6 per cent in the second quarter of 2011 from 4.9 per cent a year earlier, according to technology research firm Gartner. The story is the same in India, notes Anshul Gupta, Principal Research Analyst at Gartner. "They sell only a few thousands," he says.

Still, analysts are betting that by 2015 Microsoft will hit the third position in smartphones overtaking Symbian, Research In Motion's Blackberry OS and Samsung's Bada. Gupta says Mango is a completely new platform and has the capability to compete with Google's Android and Apple's iOS.

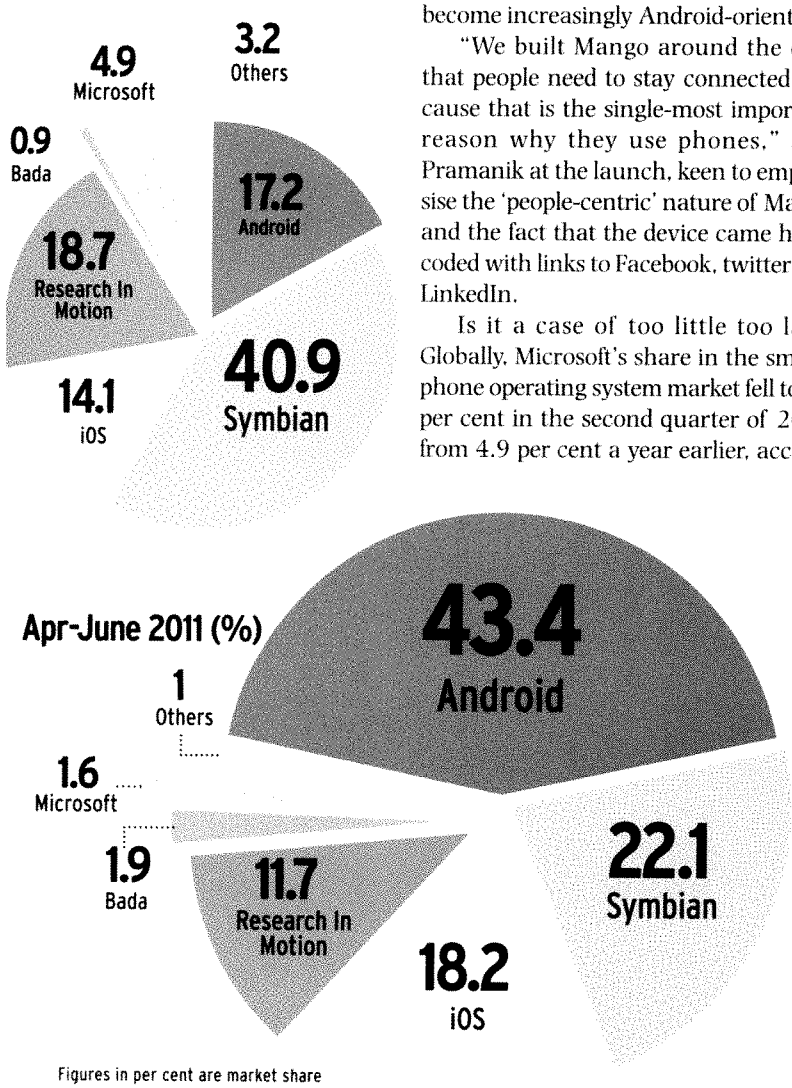
What might do the trick for Microsoft is its pact with Finnish phone maker Nokia, whose biggest target market is India. "This is a partnership of equals," says Pramanik. Nokia devices running Mango are expected by December. "The Windows OS will lead the smartphone category (for Nokia)," said D. Shivakumar, Managing Director of Nokia India, in an interaction in late September. Nokia, which earlier banked on Symbian for its smartphones, has been losing market share.

Taiwanese company HTC unveiled the first Mango device, Radar, in September. Samsung and Acer are both expected to launch Mango devices in India well before Nokia. Most Mango devices will be expensive at launch, but could get progressively cheap, says Pramanik.

However, it will take a while before Microsoft gets a firm footing in the smartphone category. Some advantages that Microsoft is likely to leverage are an already wide channel base and deep presence in the enterprise business, thanks to its 95 per cent market share of desktop computers. Besides, it is throwing in 25 gigabytes of storage with each phone on Microsoft's 'personal cloud' platform, Skydrive, to capitalise on the users' habits of storing more and more online.

There is a lot riding on Mango for both Microsoft and Nokia.

A THINNING SLICE



Figures in per cent are market share
Source: Gartner

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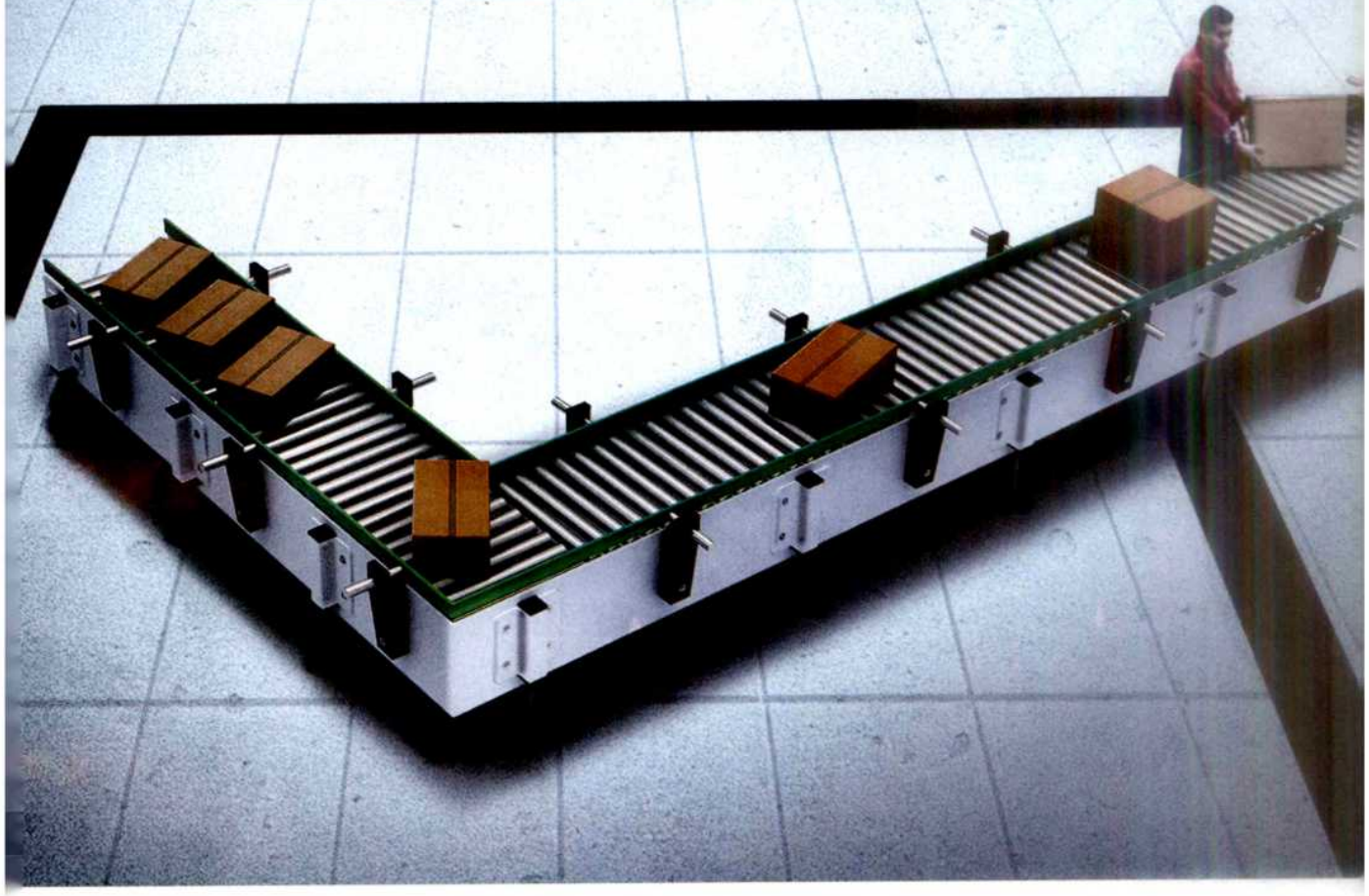

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QUIRKY

New-age Detectives

Private detectives in Chennai are stepping up their game. From running background checks on prospective brides or grooms and their families, they are now fashioning themselves as wedding planners. Since their services are trusted, they want to be one-stop shops: place matrimonial ads in dailies, screen candidates and match horoscopes as well as pick venues and caterers. They are even ready to provide surveillance during weddings to ensure 'exes' don't spoil the party.

HOW THINGS WORK

Air Traffic

In early October, a helicopter sparked off an air alert in major Indian cities after it briefly landed on the coast in Maharashtra's Ratnagiri district without communicating its flight plan to the Air Traffic Controller, or ATC. Following the ATC's directives is mandatory for all aircraft. Here is how the ATC keeps tabs on aircraft:

APPARATUS: All airports are equipped with a rotating radar that communicates with aircraft at frequencies over 1,000 megahertz.

MODUS OPERANDI: The ATC periodically interrogates aircraft. First, the aircraft has to identify itself. The ATC then determines its range by the time lag between its question and the reply and the direction in which the radar spotted the aircraft.

READING THE RADAR: Traditionally, an aircraft's altitude and beacon code is displayed on the radarscope. Nowadays, a flight data processor, or FDP, automatically assigns beacon codes to flight plans that are instantly received by the ATC.

SNOOT CORNER

Yen for Beer

It may be little known, but the Japanese love their beer and are adept at brewing it too. Dutch merchants are said to have set up the first breweries in Japan for their sailors in the 17th century. Today, as much as 67 per cent of the alcohol consumed in the country is beer. The local brew is of two kinds, the standard lager and a low-malt beer called Happoshu. In fact, Japanese beer brands like Asahi, Kirin, Orion, Sapporo and Suntory are popular worldwide as well.

JUST WONDERING

Long Way to Go

There always seems to be a huge lag between the foundation stone laying for any project in India and work on it actually starting. Take Mumbai's first metro corridor, the Versova-Andheri-Ghatkopar, or VAG corridor. Prime Minister Manmohan Singh laid its foundation in June 2006, but construction began only in February 2008. Inevitably, the completion deadline was pushed to 2010 from 2009, and the cost rose from ₹1,500 crore to ₹2,356 crore. Now the Mumbai Metropolitan Region Development Authority, or MMRDA, and Mumbai Metro One, a special purpose vehicle formed by Reliance Energy, which are implementing the project through a public-private partnership, have set the new deadline for VAG completion in 2012, since so far only 70 per cent of the work has been completed.

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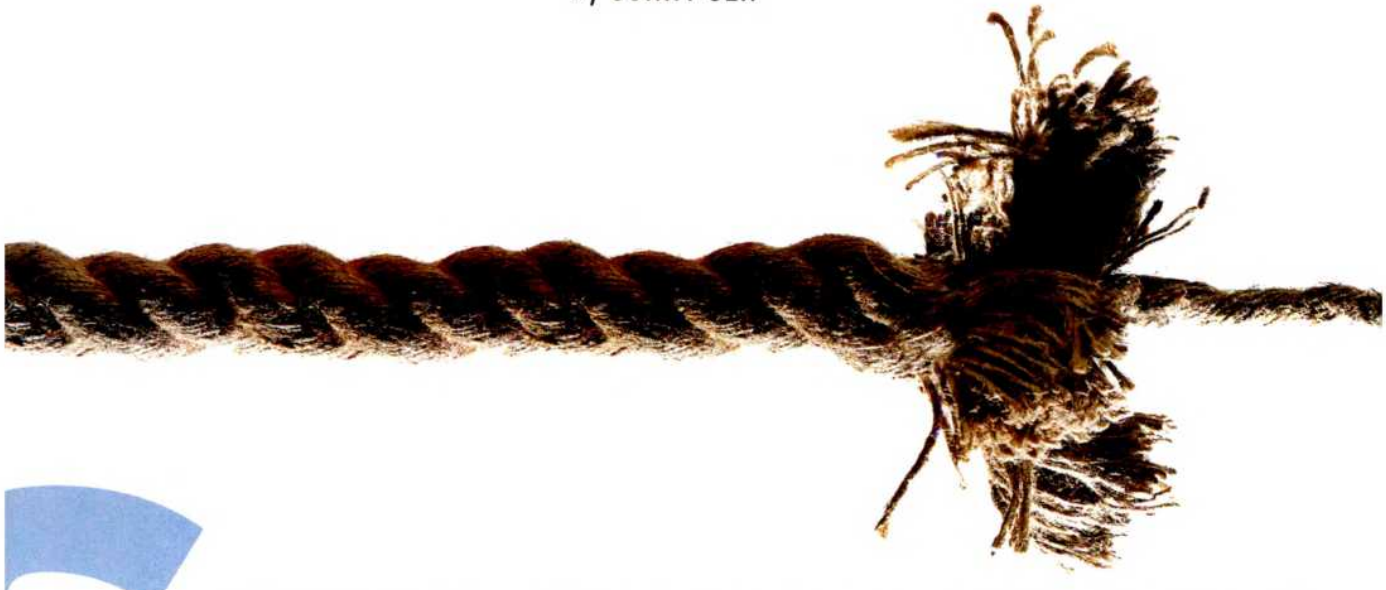
Breaking

Growing mistrust sours yet another joint venture as Unitech and Telenor slug it out in the courts.

By SUNNY SEN



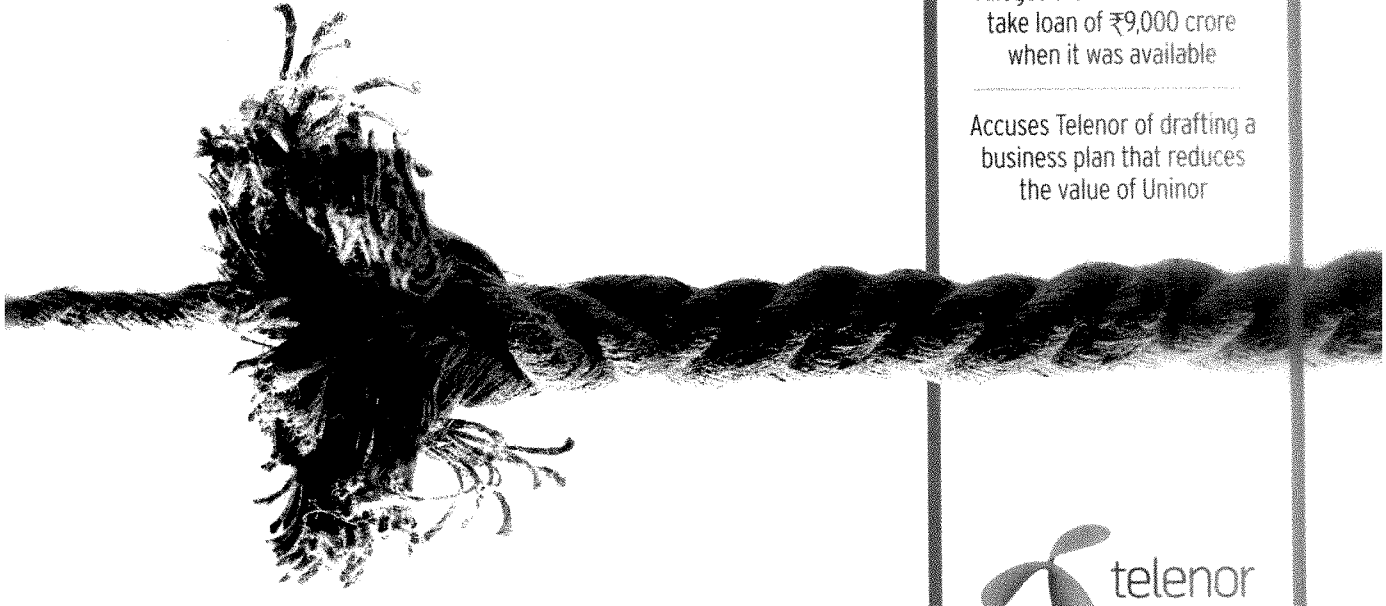
Sanjay Chandra had his back to the wall that day – literally speaking. Figuratively, he was on top of the world. Chairman of Unitech Wireless at that time, he had just announced the launch of Uninor, the mobile telephony brand born out of his alliance with Norway's Telenor. Television cameras and microphones, looking for the all-important byte, pushed Chandra until his back was grazing the walls of hotel Le Meridien's conference hall in New Delhi.

Chandra, as some reporters clutched at his arms for an exclusive quote, spoke highly of Telenor, a company few had heard of in India until then. He had good reason to. Telenor was paying ₹6,135 crore for 67.25 per cent equity in Unitech Wireless, the telecom arm of real estate company Unitech, which had won licences and, more critically, spectrum to operate a pan-India network. It had paid ₹1,658 crore for the licences.

That was two years ago. As this piece is being written, Chandra not only has his back to the wall, this time figuratively, but is also behind bars. His people have dragged Telenor to the Company Law Board, or CLB, a quasi-judicial body which deals with corporate disputes, alleging mismanagement of the joint venture's operations. That adds to the litigation already before the Punjab and Haryana High Court, where Unitech has objected to Telenor's move to float a rights issue of equity to raise ₹8,200 crore. If the issue were to go through, Unitech, not exactly in the pink of financial health, may not be able to subscribe to its portion and its hold on the company will become more tenuous.

A Unitech spokesperson, who does not want to be named, says Telenor has valued the joint venture at a paltry ₹400 crore, which puts the value of Unitech's 32.75 per cent stake at ₹131 crore. Given that Telenor's deal to buy 67.25 per cent in the company in 2009 valued it at ₹9,100 crore, this is a staggering fall. What is more, if Unitech does not participate in the rights issue and the issue goes through at face value

Point



taking the total equity to ₹8,600 crore, Unitech's stake will fall to about 1.5 per cent. "According to us, the company's value is ₹10,000 crore," says the spokesperson.

The trigger for the petition before the CLB is a 10-year plan approved by the Unitech Wireless board in its meeting in Amsterdam on June 6 this year. The plan projects an immediate need for equity infusion and thus makes the case for the rights issue. Unitech calls the plan "oppressive", "mala fide" and "an example of mismanagement". Its executives also like to point out that Telenor is having problems with Canal+, a division of film company Vivendi and Telenor's partner in Denmark, Sweden, Norway and Finland. Telenor's relationship with its partners in Russia and Bangladesh, they say, are not very cordial either.

Glenn Mandelid, Telenor's spokesperson, chooses to underline the company's criticality to the Indian joint venture. "The simple fact is that Uninor stands today almost entirely on Telenor Group's money and Telenor-guaranteed loans," he says in response to emailed questions. Unitech's decision to move the CLB, according to Telenor, is little more than an attempt to block the rights issue.

Unitech executives say the rights issue would have been unnecessary had Unitech Wireless not declined a ₹9,000-crore loan offer from State Bank of India. Telenor says no such

TUG OF WAR CONTINUES...

Unitech

In March: Moved the court objecting to a rights issue

In October: Dragged Telenor to CLB for mala fide, self-serving intentions

Alleges that Telenor did not take loan of ₹9,000 crore when it was available

Accuses Telenor of drafting a business plan that reduces the value of Uninor

telenor

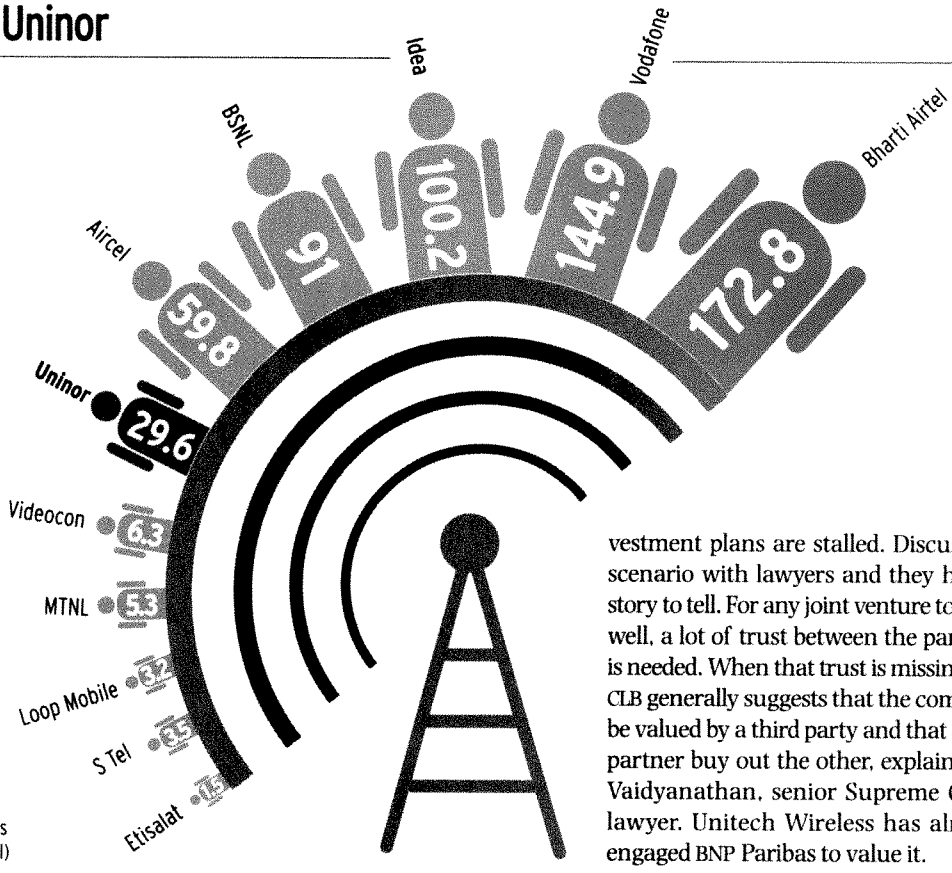
Says Unitech's allegations are baseless and aimed at blocking the rights issue

Claims that Uninor completely stands on Telenor's money and guaranteed loans

Due to uncertainties in the telecom sector, banks aren't lending to new operators

Claims that business plans made to suit Uninor's interest

PHOTOGRAPH BY SHEKHAR GHOSH



UNINOR HAS THE LARGEST NUMBER OF SUBSCRIBERS AMONG NEW OPERATORS

Tata DOCOMO has more GSM subscribers than Uninor, but COAI has not listed DOCOMO

Figures in million

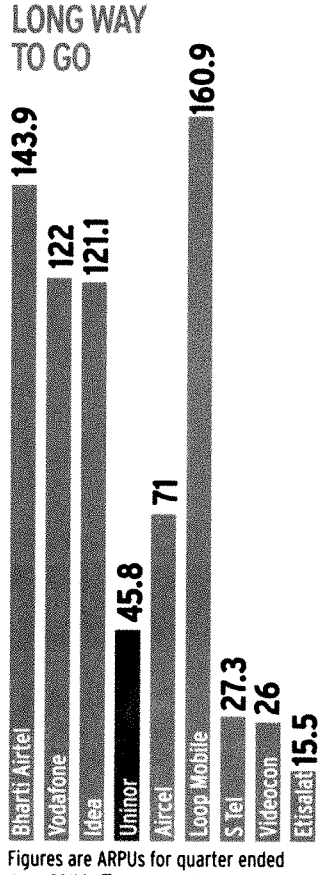
Source: Cellular Operators Association of India (COAI)

loan was available. "Had Uninor been able to secure any such loans, there wouldn't be any reason for the owners to contemplate a rights issue."

Ownership battles in joint ventures no longer raise eyebrows in India's corporate sector. As the country opened up to foreign investment in the 1990s, a clutch of joint ventures was formed as Indian companies looked for expertise and capital and foreign ones looked to navigate through the local regulations and business climate. Many of them broke up, but after thriving for a few years. Unitech Wireless, on the other hand, is unravelling prematurely as the Indian partners have fallen on bad times and are also facing charges relating to the so-called 2G scam. In fact, after Chandra was charged, Telenor said he should resign as Unitech Wireless' Chairman. He did, after initial reluctance, in April this year, giving greater control over the joint venture to Telenor.

"Ownership battles are not new, but for a young company this is unfortunate," says Kunal Bajaj, Director at telecom consultancy firm Analysys Mason.

The unfortunate result of the fight between the partners is obvious: Unitech Wireless' business is suffering and its investment plans are stalled. Discuss the scenario with lawyers and they have a story to tell. For any joint venture to work well, a lot of trust between the partners is needed. When that trust is missing, the CLB generally suggests that the company be valued by a third party and that either partner buy out the other, explains C.S. Vaidyanathan, senior Supreme Court lawyer. Unitech Wireless has already engaged BNP Paribas to value it.



Figures are ARPUs for quarter ended June 2011 in ₹ Source: COAI

Telenor has a different view of Uninor's performance, a view close to being rosy. "It is by far the most successful new operator and has even overtaken some of the established operators in many circles," says Mandelid. This contention is backed by Uninor's monthly reporting of subscriber numbers, which stood at 1.92 million in September, taking the total to 29.6 million. Videocon, which started services at the same time as Uninor, added 113,000 subscribers in September and now has 6.27 million.

However, many consider the average revenue per user, or ARPU, to be a truer indicator of a company's operating fortunes. There Uninor comes a cropper with an ARPU of ₹42 to ₹45. The industry average is 100 and market leader Airtel boasts ₹190. "Uninor is in a logjam," says Hemant Joshi, Partner, Deloitte Haskins & Sells, a consulting firm. "They don't have anything to offer that the incumbents can't."

Some point to the New Telecom Policy, under discussion now, as providing a possible solution as it seeks to make it easier to acquire a telecom company. As the fight for spectrum becomes more intense, those who have it and are not using it in the most profitable way, will look like attractive propositions. ◆

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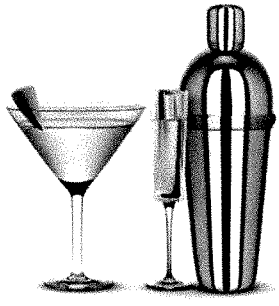

bars

While cocktails are served in spacious lounges and

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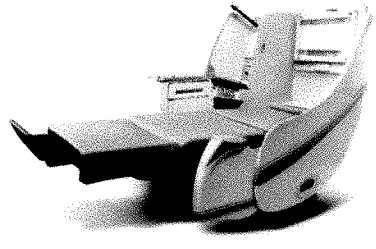

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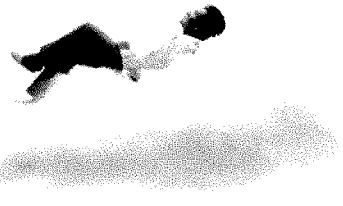
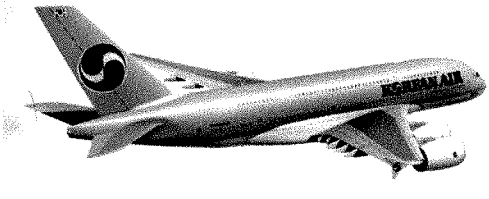


comfort

providing greater



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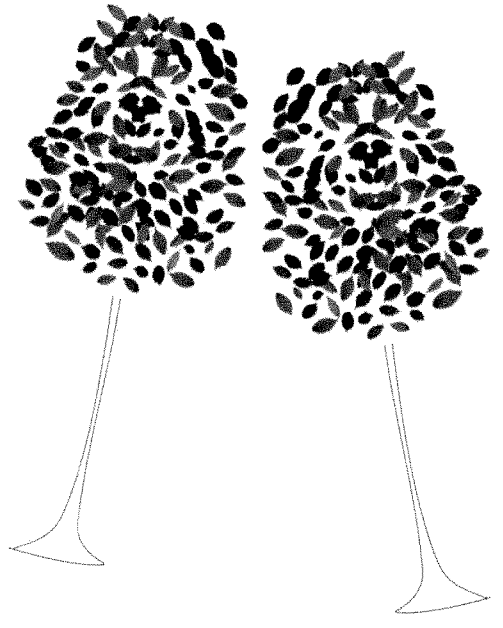

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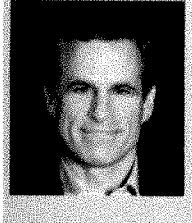

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INSIDE

When the Twain Met

A merger of private companies and public sector units into one listing throws up surprises, and unlocks a treasure trove of value

Pg 48

Coal India: The New Star

Coal India's scrip had a great beginning, but its future depends on performance. The challenges are many

Pg 56

Chartbusters

Companies that have steadily climbed up the rankings ladder in the past five years to take on the big boys

Pg 62

Fallen Leaves

How and why once-mighty companies fell off the BT Top 25 list. Which sectors and companies will rule in the coming years?

Pg 70

The Slow, Great Squeeze

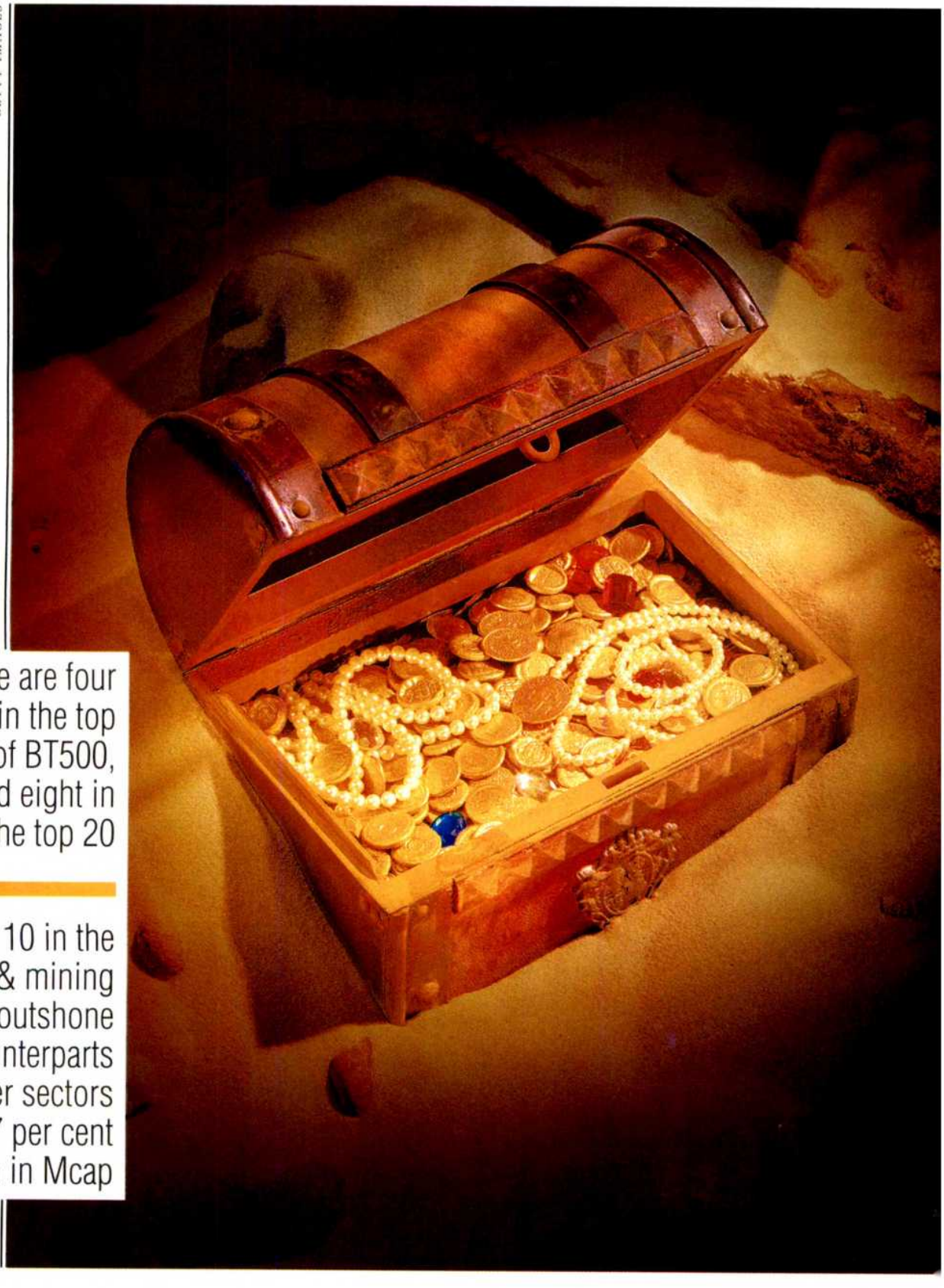
Costs are up and margins are down. It is time for companies to think afresh and innovate as they wait for sustained demand and better times

Pg 76

PAPER CRAFT BY SANTOSH

MORE: Tables – Top 500 Pg 86 • Tables – Next 500 Pg 106 • Methodology Pg 126 • Infographics Pg 128

GETTY IMAGES



There are four PSUs in the top 10 of BT500, and eight in the top 20

The Top 10 in the metals & mining sector outshone their counterparts in other sectors with a 47 per cent growth in Mcap

WHEN THE TWAIN MET

A merger of private companies and public sector units into one listing unlocks a treasure trove of value

BY RAJIV BHUVA

Oh, East is East, and West is West, and never the twain shall meet...
Rudyard Kipling, *The Ballad of East and West*, 1892

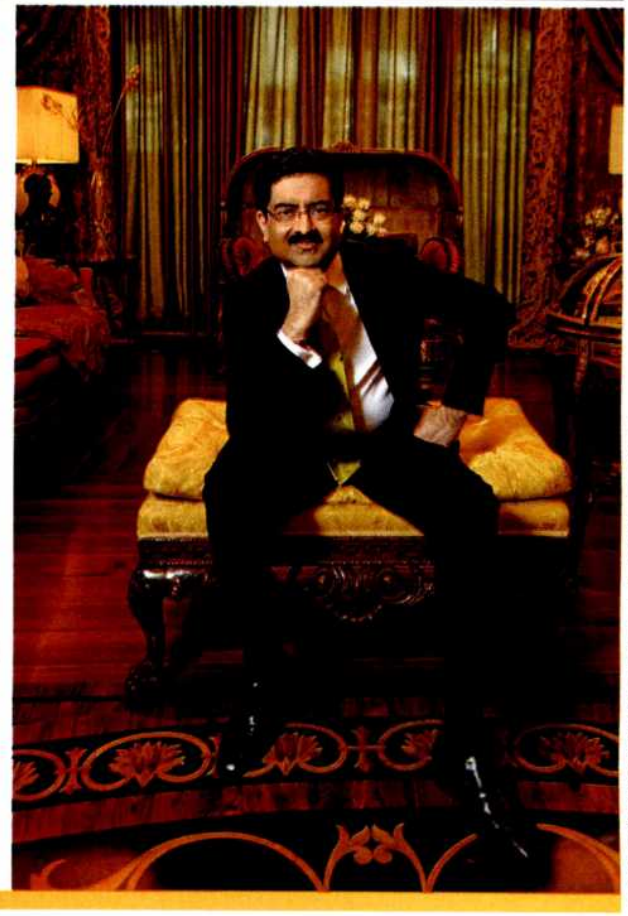
Twenty years ago, when *Business Today* was born, private companies and government-owned companies (or public-sector units, PSUs) would marry well with Kipling's immortal line. Finance Minister Manmohan Singh had just announced the onset of nation-changing economic reforms, but their impact would be visible only later. India, an agrarian nation subject to extreme red-tapism, was growing at sluggish 'Hindu' growth rates of around 3.5 per cent. PSUs enjoyed monopoly – through regulation – in their sectors. More importantly from BT's perspective, most of the big listed PSUs had very low public float and were almost completely owned by the government. So, when the first BT500 listing of India's most valuable companies was published in 1992, only those PSUs were ranked that had low government ownership. Needless to say, they were very few. It was only a few years later that PSUs were put together and ranked in a separate list.

THE CHAMPIONS

Rank 2011	Rank 2010*	Company	Market capitalisation (₹crore) April-Sept 2011	April-Sept 2010	Growth (%)
1	1	RIL	2,88,631.6	3,36,786	**-14.3**
2	NL	Coal India	2,39,595.6	NA	**NA**
3	2	ONGC	2,38,320.0	2,58,801	**-7.9**
4	5	TCS	2,17,190.7	1,58,684	**36.9**
5	4	Infosys	1,56,306.0	1,58,923	**-1.6**
6	10	ITC	1,51,078.4	1,13,773	**32.8**
7	6	SBI	1,48,196.7	1,57,989	**-6.2**
8	9	Bharti Airtel	1,46,768.8	1,14,928	**27.7**
9	3	NTPC	1,45,760.7	1,66,343	**-12.4**
10	13	ICICI Bank	1,16,297.8	1,05,373	**10.4**

*Ranks after combining last year's lists of private companies and PSUs NL: Not listed NA: Not applicable Source: CMIE Prowess

Kumar Mangalam Birla's UltraTech Cement gained more market value than it did last year



VIVAN MEHRA/www.indiatodayimages.com

HIGH VALUE CREATORS

Rank 2011	Company	Growth in BT500 2011 (%)	Growth in BT500 2010 (%)
50	UltraTech Cement	**88.85**	74.18
19	Adani Enterprises	**87.83**	142.07
100	United Breweries	**86.81**	106.94
71	Titan Industries	**69.28**	127.66
34	Nestle India	**41.00**	50.72

Source: CMIE Prowess

In these 20 years, the country has transformed. 'New India' is one of the world's fastest growing economies, driven by sectors like software services, telecom, pharmaceuticals, retail, real estate and automobiles. Global investors have taken note, and both FII (foreign institutional investor) and FDI (foreign direct investment) have become buzz-words. Thousands of multinational corporations have set up shop, even as thousands of Indian companies have made a beeline to foreign shores.

That last set – surprise – also includes leading PSUs; they are almost unrecognisable today compared to 20 years ago. They are acquiring both companies as well as assets abroad; they have become leaner, more efficient, more competitive. More importantly, their ownership is not as dominated by government shareholding, thanks to the disinvestment process, which also brought into the stock markets a variety of government companies in various sectors.

And so, 20 years after the BT500 rankings began, there remains no case for PSUs and private companies to be ranked separately. The 2011 edition of the BT500, therefore, offers just one listing. The most comprehensive ranking of 'India's Most Valuable Companies' just got more comprehensive. The change reflects a new world where investors reward, or punish, companies in proportion to the value (shareholder wealth) they create or destroy; ownership is incidental.

Change Is In The Air

In the merged list, one outcome remains unchanged. Reliance Industries, traditionally the No. 1 private company, retains its top billing in the combined list as well. But traditional PSU No. 1, ONGC, does not take the No. 2 slot. That goes to new hot stock Coal India, a PSU that listed on November 4, 2010 to an overwhelming response (read *The New Star*, on page 56). There are four PSUs in the top 10, and eight in the top 20. These are all strong companies in their own right, and capable of challenging the big private entrepreneurs and their enterprises.

To ensure better comparability, we also combined last year's private and PSU rankings. All last year ranks mentioned here reflect that. This year, two of the biggest value creators have added more value than last year, a significant achievement in a volatile, even sliding, market. Helped by its ₹10,000-crore capital outlay plan over the next three years, UltraTech Cement posted an 88.85 per cent growth in its market cap this year (April-September, the period taken into account for BT500 rankings), compared to 74.18 per cent last year. Also significant is Bharti Airtel's performance in the light of its strong foray into African markets.

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T. S. Eliot

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N. Chandrasekaran's TCS bests Infosys to the top of the IT rankings after three years

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BACK AT THE TOP

Rank 2011	Company	Mcap April-Sept 2011 (Rs crore)	Mcap growth (%)
4	TCS	2,17,190.7	**36.9**
5	Infosys	1,56,306.0	**-1.6**
14	Wipro	99,149.5	**-1.1**
42	HCL Technologies	32,184.9	**23.4**
77	Oracle*	17,386.6	**-3.7**

*Oracle Financial Services Software

Source: CMIE Prowess

Last year, the telecom major's market cap had declined 24.13 per cent; but this year, it has grown 27.7 per cent.

But many other big companies saw the dice roll the other way. Three of Reliance-ADAG's companies lost significant market value. Reliance Communications, thanks to mounting debt, saw a decline of 46 per cent in market value in 2011, following a 37.97 per cent fall in 2010. Reliance Infrastructure and Reliance Capital's market caps have fallen 45.6 per cent and 31.8 per cent, respectively. Four PSU companies – Hindustan Copper, MMTC, Neyveli Lignite Corporation and Steel Authority of India – recorded erosion in their 2011 market value compared to growth posted in 2010, due to a decline in global commodity prices.

In terms of sectors, information technology, or IT, put up a relatively better show this year. A 1.6 per cent slide in Infosys's market cap and a 37 per cent growth in TCS's market cap propelled the latter into No. 1 rank in IT after three years. TCS leveraged its broad-based services offerings and delivery capabilities, even as Infosys focused on pricing and margins. The change in guard at Infosys also created some uncertainty. A stable rupee for the larger part of financial year 2010/11 propped up the IT companies, which found many takers for their services in the cost-conscious, recession-hit Western economies.

On the other hand, the real estate sector has seen the maximum damage. DLF's market cap has fallen 28 per cent, and Unitech's, 56 per cent. While DLF's rank slid by 10 slots, Unitech fell from No. 69 last year to No. 123 this year. Their beleaguered situation reflects the state of the industry. Rising interest rates and scarcity of working capital have increased their cost of funds; and buyers are sitting on the fence owing to higher prices and increased home loan rates. Experts feel high prices and low volumes cannot co-exist for long, particularly in a tight liquidity environment. So, unless interest rates go down and make borrowing and buying affordable, price correction is the only immediate source of respite.

That interest rates are unlikely to go down in a hurry is evident from the high inflation levels, despite hikes in interest rates by the banking regulator – Reserve Bank of India – becoming a way of life. The rate hikes have percolated into the deposit and lending rates of banks, increasing the cost of funds for banks and the borrowing costs for its customers. "Banking stocks have been marred by the perception of high credit costs," says Raamdeo Agrawal, Joint Managing Director of Motilal Oswal Financial Services. Agrawal feels rate hikes have crossed their peak, and banking will be a much bigger opportunity when the hikes are reversed. However, the rising interest rate scenario coupled with a slowing

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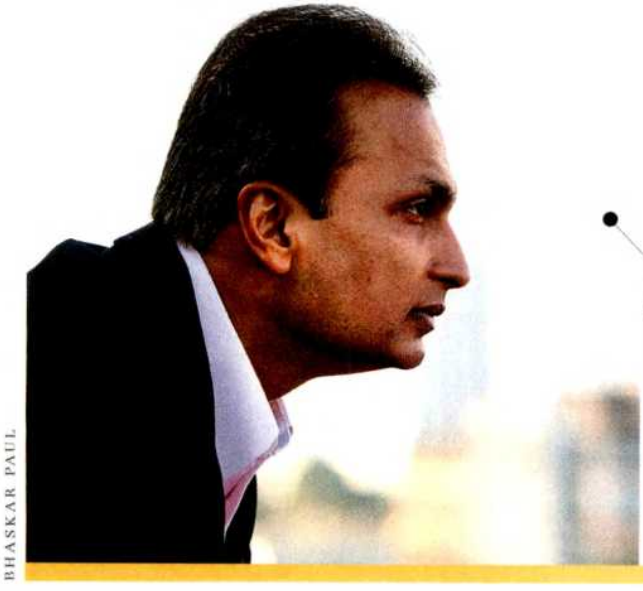


BHASKAR PAUL

Two of Anil Ambani's companies have taken a beating in terms of market cap

IN A SPIN

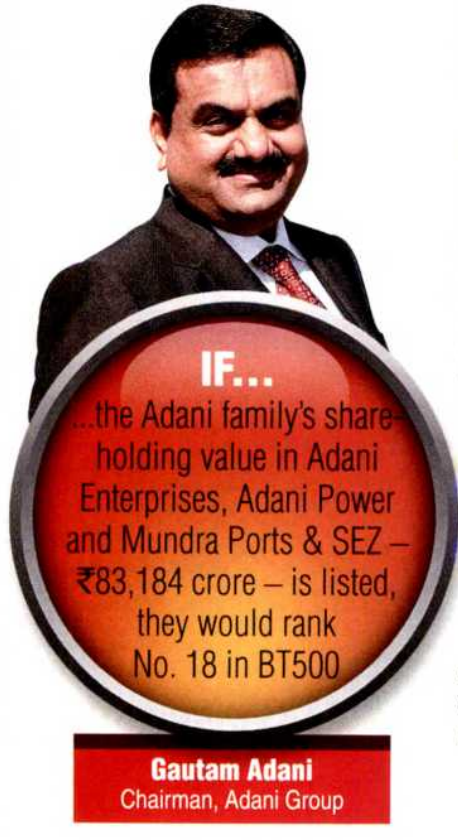
Rank 2011	Company	Growth in BT500 2011 (%)	Growth in BT500 2010 (%)
72	Reliance Comm.	**-46.01**	-37.97
83	Reliance Infra	**-45.59**	11.02
94	GMR Infra	**-44.57**	-7.94
55	Hindustan Copper	**-44.11**	106.84
17	MMTC	**-41.92**	9.89

Source: CMIE Prowess

economy could spell trouble for the banking sector with the likelihood of rising non-performing assets.

Rising inflation and interest rates have hit companies hard, but there are other worries, too: higher input costs (including raw materials), fuel costs and salary costs. The net result is stress on profitability and compression in margins. The uncertain global economic climate, especially in Europe, has led to bouts of volatility in the capital markets. While equity capital raising has been at a near standstill, higher interest rates have made debt capital expensive too. Companies have little choice but to pass on much of these costs to customers. Happily, consumer demand has been unrelenting, leading to healthy top-line growth (read *The Slow, Great Squeeze*, page 76).

What has added to the gloom is the slowdown in FII inflows. A comparison of BT500 data with FII inflows over the past five years reveals interesting details. In 2007, the top 500 companies (including the public sector) had a healthy 25 per cent growth in their April-September average market capitalisation; FII inflows in the same period surged by $10.98 billion. In 2008 and 2009, the BT500 market capitalisation declined by 0.68 and 1.75 per cent, respectively. In 2008, FIIs recorded an outflow of $5.77 billion in the first six months. But in April-September 2009, with India's improving domestic prospects and lack of better investment opportunities elsewhere, FIIs registered a net inflow of $13.37 billion. That improved further in April-September 2010, when the FII inflow of $13.83 billion was matched by a 36 per cent growth in the BT500 market cap. This April-September, though, the top 500 companies' market cap has inched up by 2.71 per cent; FII inflows have been just $0.66 billion.



Finally, even as we made the landmark decision to merge private companies and PSUs into a unified ranking, we also looked at two sides of a certain coin. On one side, we examined companies that have slipped out of the top 25 over the past 19 years (read *Fallen Leaves*, page 70) and what lessons their slide holds. On the other, we looked at companies that have inexorably risen through the ranks over the past five years. One of them, Adani Enterprises, ranks at No. 19. Read about Adani, and the six other companies in this league in *Chartbusters*, on page 62.

Twenty years later, these companies might be the big boys, with other challengers hot on their heels. But let us leave that for another day. ◆

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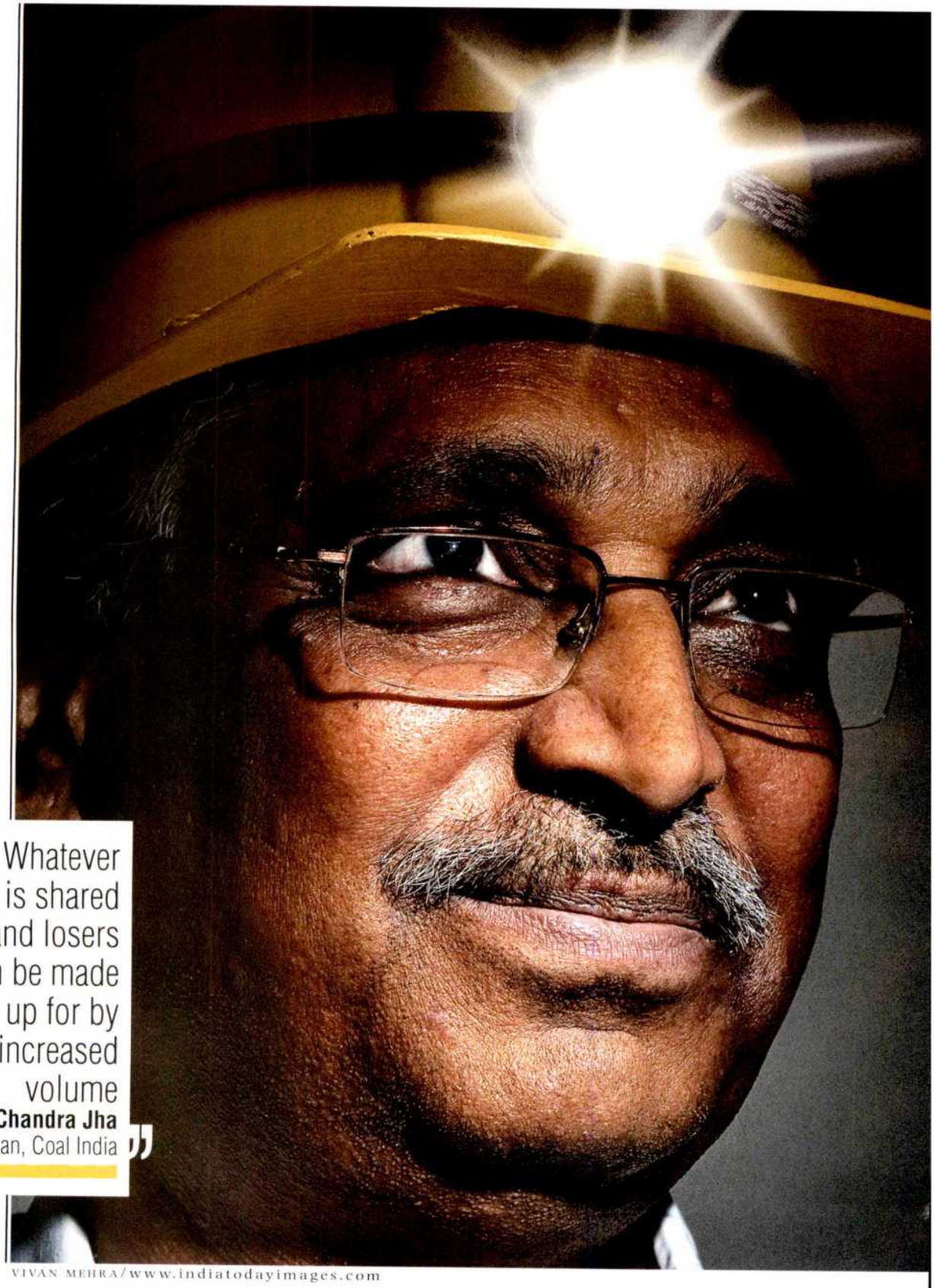

"Whatever profit is shared with land losers can be made up for by increased volume"

Nirmal Chandra Jha
Chairman, Coal India

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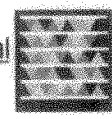


THE NEW STAR

Coal India's scrip had a great beginning, but its future depends on performance.

BY SUMAN LAYAK

Dhiren Shaw grew up in Sanctoria, a small town close to the spot where the Barakar flows into the Damodar river on West Bengal's western border. Life at Sanctoria is a slow trot in the shadow of the headquarters of Eastern Coalfields Ltd, or ECL. But Shaw, now 45, who got his job as a security guard at ECL when his coal-miner father Sitaram was declared unfit, often has his mind on buildings he has never seen, thousands of miles away – the Bombay Stock Exchange and the National Stock Exchange.

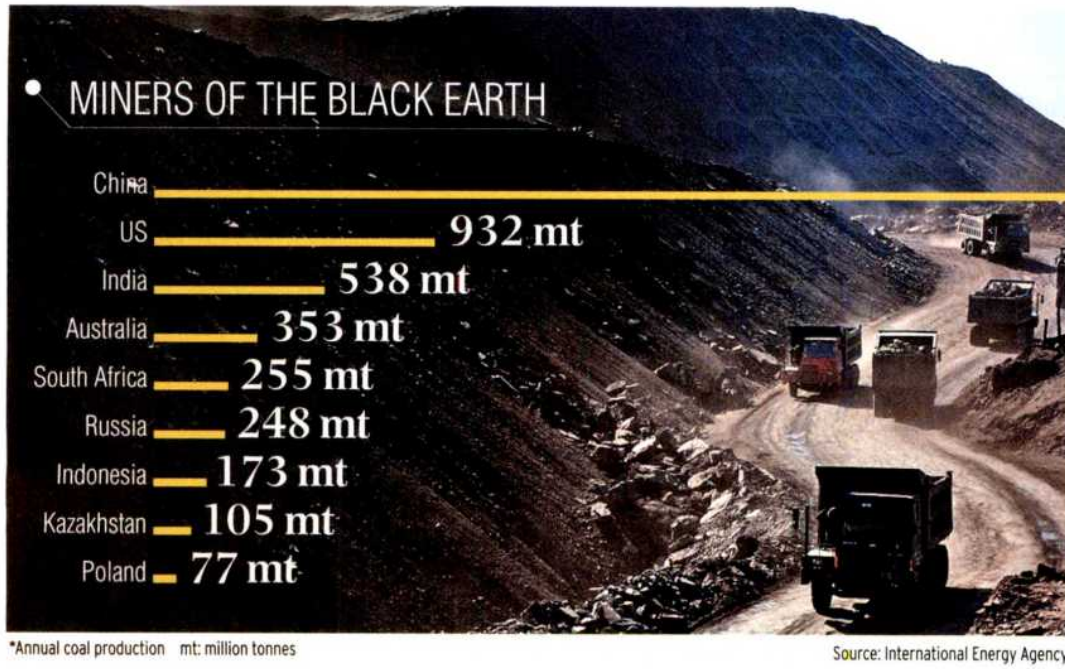
This is because, Shaw, apart from being in the security detail of ECL's directors, became a shareholder of its parent, Coal India Ltd, or CIL, when it listed on the bourse on November 4 last year. He was one of the many who cheered on August 17 this year when CIL topped the market capitalisation chart by dethroning the storied Reliance Industries.

GLOBAL PEERS OF COAL INDIA

	Revenues	Net Income	EBITDA	EBITDA Margin (%)
Arch Coal Inc	3,186	158.8	683.1	22
Peabody Energy	6,860	774	1,738.3	25.3
China Coal Energy	10,662	1,132	2,197	20.6
China Shenhua	23,063	5,783	10,583	45.9
Coal India	13,161	2,437	3,483	29.5

Consolidated figures in $million

Source: S&P Capital IQ



*Annual coal production mt: million tonnes

Source: International Energy Agency

"I will buy more shares if they give me any," says Shaw, who owns 400 shares today but confesses he knew nothing about stock markets before the initial public offering, or IPO, of the public sector giant, which accounts for 80 per cent of India's coal production. The ₹98,000 that he invested in the IPO has touched a high of ₹1.68 lakh.

Shaw has been bitten by the investing bug ever since he got into the CIL IPO and the associated account with brokerage firm Prabhudas Lilladher during the IPO.

CIL surprised almost every analyst when it overtook Reliance Industries in market capitalisation, hitting ₹2,51,170 crore.

Nirmal Chandra Jha, CIL's technical director with additional charge as Chairman, is modest. "It is not that we overtook others. It was more like other companies fell below us." Jha is learning that it is tough to please shareholders and analysts while facing the challenges CIL does. Acquiring land from villagers to get at coal seams, securing environmental clearances, controlling the damage wreaked by the rain gods, and handling wage negotiations with nearly 4,00,000 employees. (In 2010/11, CIL's consolidated wage bill was ₹24,358 crore.)

> CIL surprised all when it overtook Reliance Industries in market cap, hitting ₹2,51,170 crore on August 17, 2010

Right now, CIL's biggest problem is the production dislocation this year caused by the rains. Although it rains every year, this season, rains were of the sort that seep into the mines instead of running off into surface drains. It also rained more than usual, and in months when it does not normally rain.

"Now mines are recovering, and production is coming up, but not coming up to the level we had planned," says Jha.

As a result, many thermal power plants were down to three days stocks in October. When the government asked CIL for four million tonnes from a quota it sets aside for e-auction sales at much higher prices, analyst firm Nomura said that if the diversion was not recouped soon, CIL's earnings per share could be affected by 2.2 to 2.5 per cent. Yet Nomura maintained its buy recommendation for the stock. Welcome to the world of analysts!

Shareholders see another threat looming: the new land Bill, which will require mining companies to share 26 per cent of their profits with the villagers affected by mining.

But Jha is not perturbed. "Even though the profit will be shared with landholders, it will provide an opportunity to the landholders to come forward and offer land. The present situation is that landholders try to restrict, or oppose any initiative for purchase of land," he says.

Jha says that as more land becomes available, production will increase. "So whatever profit is shared

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with land losers, can be made up for by increased volume of business."

Production remained flat in 2010/11 and dropped marginally in the quarter ended June 2011. Difficulties in forest and environment clearances have not helped. "The issue has been proactively handled, and the solutions are now coming," says Jha.

CIL has also to keep consumers happy in the face of the shortage. It has tried to put in place fuel supply agreements, or FSAs, with bulk customers such as power plants. CIL gets an incentive for supplying at least 90 per cent of the contracted amount, while the utility faces a penalty for failing to lift that amount. The plants complain that there is no penalty on CIL for failing to supply coal, and that power plants which came up after 2009 are not getting to sign any FSAs.

Such complexities make it difficult for CIL to simply gun for growth. Amitabha Ray, who retired in February this year as CIL's chief general manager for marketing, knows this well. "Growth is the biggest problem," says Ray, who has also invested in the IPO. "Either the government allots CIL new coal blocks...or, it will need to aggressively acquire coal blocks abroad and also import coal."

CIL faces another challenge common to India: corruption in its ranks. Even before listing, CIL had begun the move towards greater transparency by signing up with Transparency International in 2007 to change its systems.

The same year, Nihar Banerjee, a civil servant, was appointed Chief Vigilance Officer. Banerjee has been accused of being over enthusiastic about charge-sheeting executives and then paralysing decision-making. Banerjee says that more than 99 per cent of the cases he is handling have been forwarded to him either by the coal ministry or the Central Vigilance Commission, or CVC, and were not instituted at his initiative. "Our views, along with those of the chairman, are forwarded to the CVC and the CVC takes a view on action to be taken. It is then up to the chairman to accept the CVC recommendations," he says.

Jha declines to comment on Banerjee's actions, but says the real test lies in separating the honest mistakes from cases of corruption.

CIL needs corporate chutzpah to stay near or at the top of the market-cap rankings. Every move it makes will be watched by analysts, shareholders like Shaw and Ray – and even the big funds.

One of the largest investors in CIL is The Children Investment Fund Management of the UK, today the largest shareholder after the government. The hedge fund, which manages an eponymous fund, has a reputation for shareholder activism, something that is rare in India. ◆

ADDITIONAL REPORTING BY SOMNATH DASGUPTA

PATHWAY TO THE MARKETS

1774: East India Company starts coal mining in India

1853: Boosted by steam engine, coal production rises to one million tonne

1960-70: Centre mulls nationalising coal mines to provide thrust to technology and improve labour conditions

1973: Coal Mines (Nationalisation) Act, 1973 completes the nationalisation process; Coal India Limited (then called Coal Mines Authority Ltd) formed in November 1973

1995-96: Coal India's financial reconstruction finalised through payment moratoriums and debt to equity conversions

1997-98: World Bank sanctions loan of ₹1 billion; P.K. Sengupta made chairman of Coal India

2003-04: Overall production crosses 300 million tonne

2010-11: Coal India successfully listed; for a brief period overtakes RIL in market cap to be India's most valuable company; currently at No. 2

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CHARTBUSTERS

Companies that have steadily climbed up the rankings' ladder to take on the big boys.

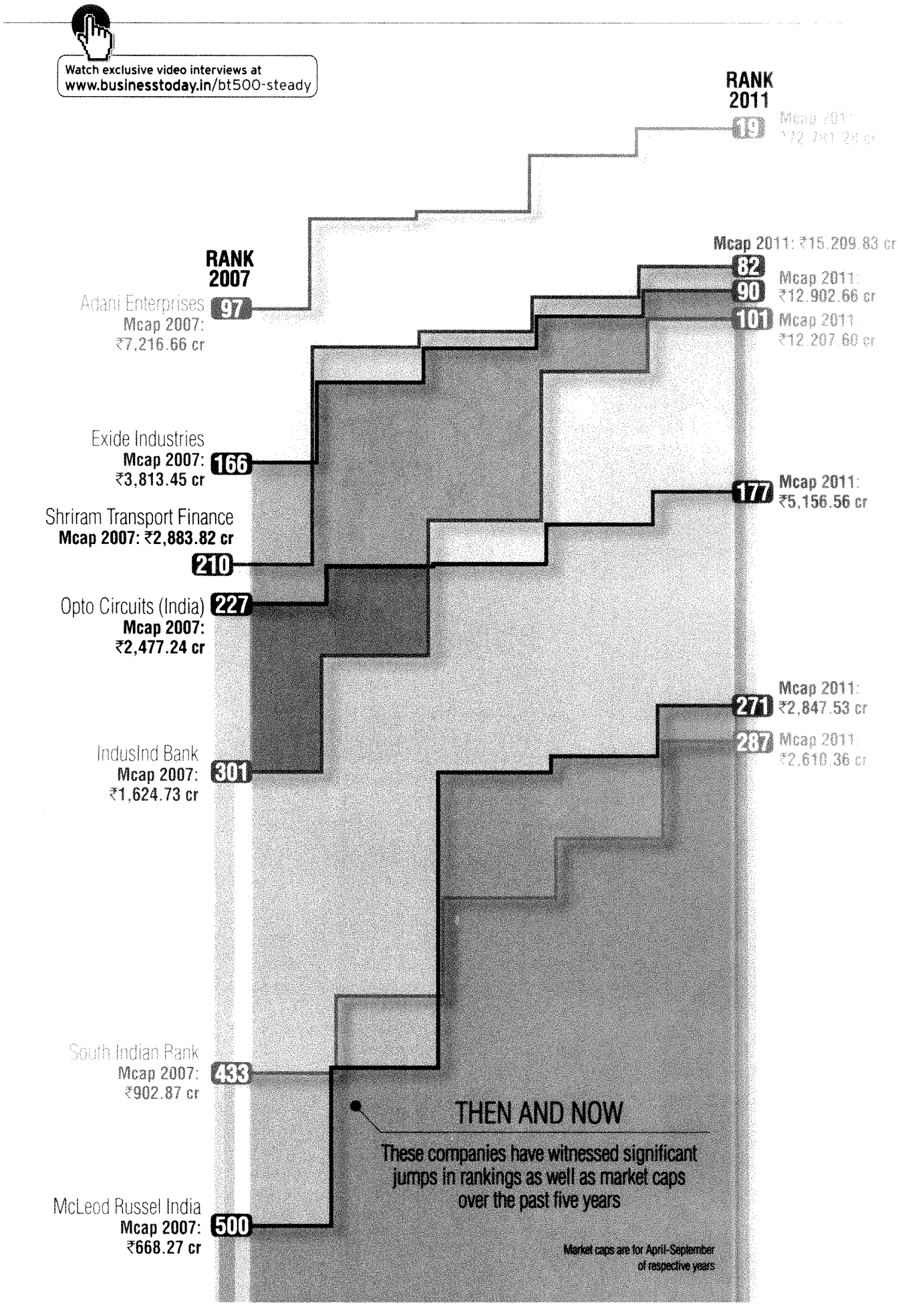
BY MANU KAUSHIK

Even as the global financial crisis, corporate scandals and general uncertainty are slowing down the Indian economy as well as the performance of corporate giants, a bunch of companies has been slowly climbing up the rankings by market capitalisation. They are the Challengers, companies that improved or maintained their BT500 rankings every year between 2007 and 2011. Even if their market caps fell in absolute terms in a particular year, their rankings did not.

A rigorous sift through the BT500 list shows only seven made the grade: Adani Enterprises, Exide Industries, Shriram Transport Finance, Opto Circuits (India), IndusInd Bank, South Indian Bank and McLeod Russel India.

Each took a different approach to keep rising. McLeod Russel acquired tea plantations in Africa, Exide Industries got into smelting to save on cost of lead, South Indian Bank expanded in new markets and Adani Enterprises gained from the general rise in demand in its three businesses: coal, power and ports.

A number of them faced major challenges. Ask Romesh Sobti, the 61-year-old Managing Director and CEO of IndusInd Bank, which has leapfrogged from 301 in 2007 to 101 this year. In February 2008, when Sobti along with four colleagues from ABN AMRO Bank joined it, IndusInd was going through a tough phase. Net non-performing assets, or NPAs, had crossed two per cent of net advances, against the industry average of less than one per cent. Cost to income ratio was 70 per cent, and net interest margins were at a low of 1.34 per cent.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RANK
2011
RANK
2007
Adani Enterprises
Mcap 2007:
₹7,216.66 cr
97
19
Mcap 2011: ₹15,209.83 cr
82
Mcap 2011:
₹12,902.66 cr
90
101
Mcap 2011:
₹12,207.60 cr
Exide Industries
Mcap 2007:
₹3,813.45 cr
166
Shriram Transport Finance
Mcap 2007: ₹2,883.82 cr
210
177
Mcap 2011:
₹5,156.56 cr
Opto Circuits (India)
Mcap 2007:
₹2,477.24 cr
227
IndusInd Bank
Mcap 2007:
₹1,624.73 cr
301
271
Mcap 2011:
₹2,847.53 cr
287
Mcap 2011:
₹2,610.36 cr
South Indian Bank
Mcap 2007:
₹902.87 cr
433
McLeod Russel India
Mcap 2007:
₹668.27 cr
500
THEN AND NOW
These companies have witnessed significant jumps in rankings as well as market caps over the past five years
Market caps are for April-September of respective years

SHAILESH RAVAL/www.indiatodayimages.com

Sobti restructured the lending book, introducing risk-based pricing of loans for companies – charging risky firms, typically small outfits, higher interest rates. He also launched several products in consumer finance, and tapped new customers by doubling the number of branches and driving for more fee income while maintaining the quality of assets.

Today, IndusInd's net NPA is 0.34 per cent of net advances, and cost-to-income ratio has dropped to 48 per cent. Revenues have grown from ₹1,500 crore in 2006/07 to ₹3,589 crore in 2010/11. "The target for the next three years is to build scale and retain profitability through better execution and zero error tolerance," says Sobti.

At Opto Circuits (India), Chairman and Managing Director Vinod Ramnani figured out that acquisition of companies abroad with proven technologies and products was the key to growth. He had started Opto in 1992, supplying sensors to companies such as Philips and General Electric. The first major break came in 2002 when Opto bought US-based Palco Labs, which gave it access to the non-invasive patient monitoring devices segment, a category that today accounts for over 80 per cent of its revenues. In 2006, it acquired Germany-based Eurocor to get into invasive devices such as stents and balloons. It has acquired six companies in the past three years.

IF...
... his assets of ₹250 crore, as disclosed on the PMO website, are put into the BT1000, he would rank at No. 903

Praful Patel, Minister for Heavy Industries and Public Ent.

"We are competing with multinationals.... If I start developing products from scratch, it will take enormous time, money and multiple rounds of regulatory clearances.... Buying established businesses makes a lot more sense," says 55-year-old Ramnani. In 2010/11, Opto posted net profits of ₹369 crore on revenues of ₹1,586 crore.

No less dramatic has been the rise of Shriram Transport Finance Company, or STFC. Even seven years ago, despite having spent nearly two-and-a-half decades in financing new and second-hand trucks, it was struggling to raise debt from banks, which were wary of the sector. But with some deft moves it has been able to rise from 210 to 82 in the past five years. "A large part of our ₹4,000-crore asset base was funded by fixed deposits and non-convertible bonds," says Managing Director R. Sridhar. "The business was perceived as risky."

Then, in 2004, STFC roped in Arun Duggal, a former India CEO at Bank of America, as its Chairman. The next year, Delhi-headquartered private equity, or PE, firm ChrysCapital picked up a stake

Adani Enterprises, led by Gautam Adani (above), climbed up from 97 in 2007 to 19 this year

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HAIL PSUs

Twenty years after liberalisation, PSUs continue to hog the business landscape. Head starts in business supplemented later with incentives to perform have made for a potent combination. Add to that monopoly or near monopoly in select areas. Some PSUs missing from BT500 could well have made the cut if the government chose to sell its holding in them. A look at the top 50 corporate taxpayers for the financial year ended March 31, 2011 shows the extent of PSU dominance. Three of the top five taxpayers were PSUs. Remove Piramal Healthcare, which shot up the ranking on account of a one-time income, and four of the top five are PSUs.

SANJIV SHANKARAN

HEAVYWEIGHTS

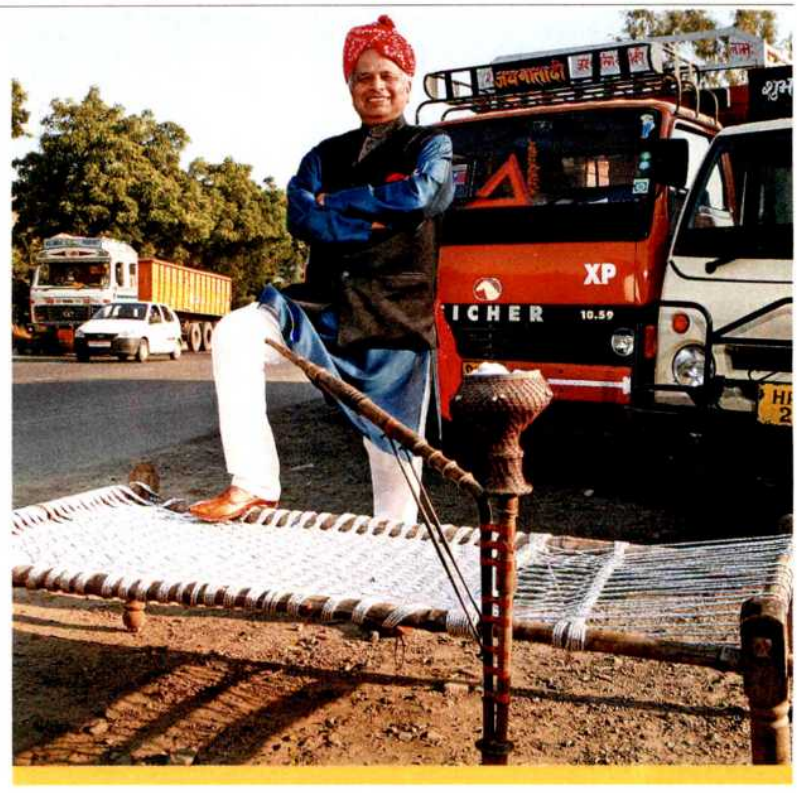
Top five listed taxpayers (2010/11)

COMPANY	TAX PAID (₹ cr)
ONGC	8,492
State Bank of India	6,160
Reliance Industries	4,207
Piramal H'care	3,543
NMDC*	3,200

Top five unlisted taxpayers (2010/11)

COMPANY	TAX PAID (₹ cr)
LIC	3,599
DICGC**	2,157
Mahanadi Coalfields	1,300
SCCL^	717
NABARD	560

* National Mineral Development Corp.
**Deposit Insurance and Credit Guarantee Corp.
^The Singareni Collieries Company Ltd
Source: Income Tax Department



SHEKHAR GHOSH/www.indiatodayimages.com

Arun Duggal (above) helped STFC reduce dependence on retail investors and source large funds from banks

for some ₹100 crore. That was followed by US PE giant Texas Pacific Group making a $100-million investment in Shriram Holding (Madras), which owns 45 per cent in STFC. The confidence shown by the PE firms attracted banks, which began lending to it more freely. Currently, almost 85 per cent of STFC's asset base of ₹35,000 crore is funded by over 70 banks and financial institutions, a far cry from the dependence on deposits and bonds. Its financing portfolio has risen from 200,000 vehicles in 2005 to 1.2 million.

Not all companies on this list have consistently climbed every year over the past five years. A few like CRISIL, the Indian arm of global ratings major Standard & Poor's, have had a patchy rise to the top. Says Roopa Kudva, CRISIL's CEO and Managing Director: "The rise is mainly a result of our entry into the global industry research market, and into new segments such as equity research and ratings of small and medium enterprises."

A single individual has transformed the performance of Kerala-based South Indian Bank, or SIB, which has jumped from 433 to 287. SIB was growing steadily but unspectacularly till 2005 when the executive board appointed V.A. Joseph as CEO and Managing Director. At the time, just two states, Kerala and Tamil Nadu, accounted for 75 per cent of SIB's business.

Joseph spearheaded an expansion into several other states in areas such as SME and agriculture lending. "Many states on which we are focusing now are SME hubs. We have a strong product portfolio for the SME sector," he says. SIB's revenues have grown from ₹977 crore in 2006/07 to ₹2,446 crore in 2010/11. "The aim is to achieve ₹75,000 crore asset base by 2013," Joseph adds. ◆

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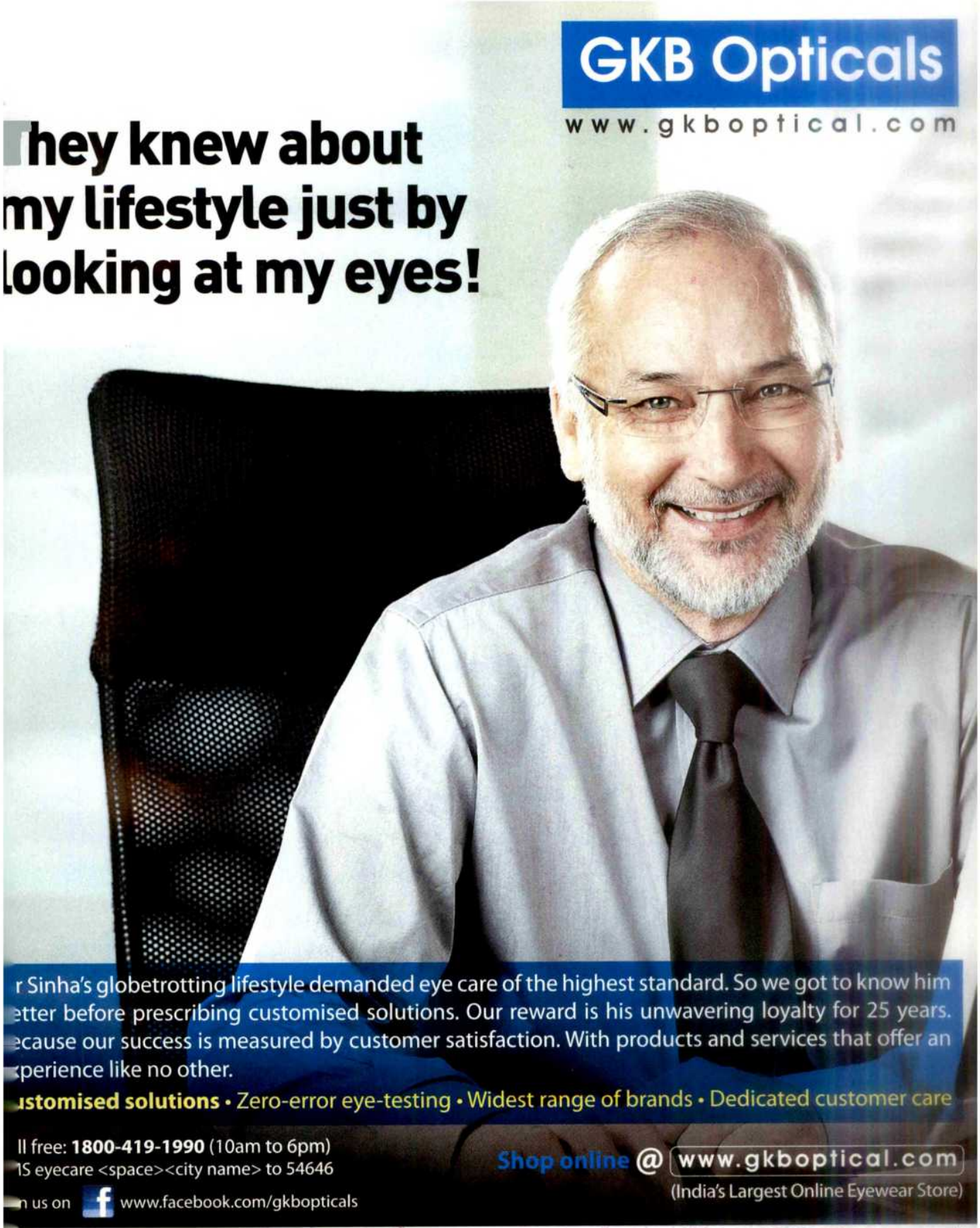

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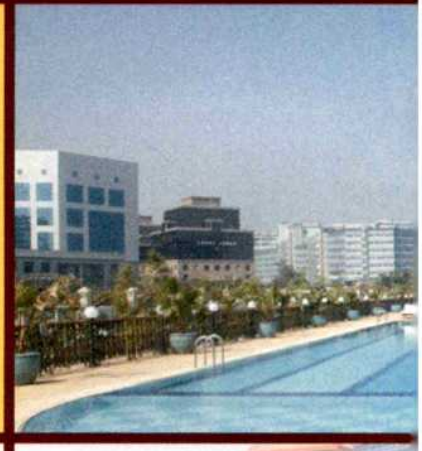
RAJIV WAGH
Vice President
Marketing & Business Development
MCA Recreation Centre

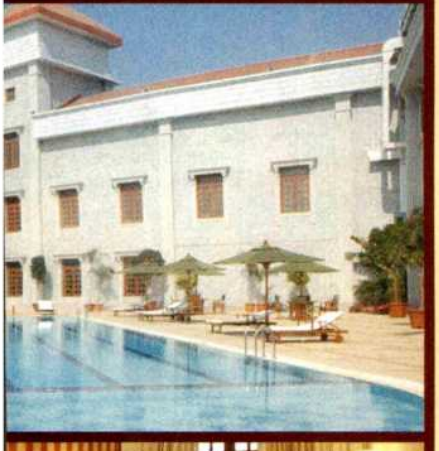
"As India emerges stronger than ever, these clubs will play a catalyst role in effecting the changes by offering diverse opportunities for sporting, rejuvenation, recreation, escape and enrichment."

"The Mumbai Cricket Association Recreation Centre along with Shirke Group brings a novel concept in clubbing with the multi faceted recreation center at Bandra Kurla Complex"



Gone are the days when clubbing was a distant dream for the common man because of its association with the more affluent and highly aristocratic. In a country like ours clubbing is generally associated with the young and the young at heart, clubbing in India is fast evolving as the new social and business networking phenomena where achievers and their families socialize.

Spearheading this new age clubbing revolution in India is the premium recreation centre promoted by the Mumbai Cricket Association Recreation Centre and Shirke Group also known as MCA RC. From its conducive location in Mumbai's hustling Bandra-Kurla complex, this luxury club is on its way to becoming one of most elite hubs in the country with some of the country's economic capital moguls enjoying its exclusive membership. Post the economic liberalization of India, a whole new generation of successful and young business entrepreneurs have emerged who are on the lookout for a perfect place to unwind and relax and contribute to the greater good of the community as well. The



exclusivity of the aristocracy in the yonder years have now been taken over by meritocracy, this tectonic shift is very much visible on the clubbing front of the nation, while most traditional clubs are still doing the usual 'let's have a few drinks and play cards', the new age clubs have learned to cater to needs of recreation like having a proper sports center and gym etc in addition to recreation by means of food and new age events.

The Mumbai Cricket Association Recreation Centre was founded in the year 1930 in British ruled India and still carries its past heritage of aristocratic ambience and architecture but the club at the hip and happening Bandra Kurla complex boasts of a refreshingly palpable modernity with its membership consisting of some of the most affluent Mumbaikars. Starting with a 14 acre prime property in Bandra Kurla complex, it lives up to its indoor promise with a centralized temperature control which is its first kind in Asia.In addition to providing recreational facilities in terms of a wide array of sports, the heart of this club however lies at the 38 metre by 28 metre indoor cricket academy. Other sports facilities here include a world class badminton court, a half-Olympic swimming pool, squash courts, billiards, a 3000 square feet Technogym and a fleet of treadmills. Luxury is not compromised in terms of fine living and dining with restaurants that cater to the foodie's palate to rooms that exude high end comfort and luxury.

It is out of fashion at the MCA RC to go for a cuppa coffee, instead one 'retires to the Pavilion', it is not so much about going to dine in a restaurant as it is to do an 'Oriental Swing' or take up the 'Western Willow' and one will not find anybody here at the club heading for the bar, instead it is called heading for a 'Spin'. The luxury suites at the MCA RC which are 21 in number make any business delegation a thing of bliss. Off late, the MCA RC has not only been a great choice to hold business conferences and meetings but have also seen executing some of the grandest parties in Mumbai. Not just the banquet halls but also the lush green outdoors have been seen to host some of the most happening party dos.

The MCA RC has been accepting applications for memberships and there are two types of memberships that one can apply for- individual associateship and corporate associateship. Associating with the MCA RC is totally based on the club's discretion. An individual associateship entitles a resident or a non resident to individual lifetime membership along with the spouse and children upto 21 years. Corporate memberships on the other hand are time based memberships that stretch on for a period of 10 years. In a corporate association with MCA RC, a corporation can nominate two senior members to avail extensive facilities of the club.

This coveted club in Mumbai is a joint venture between the Mumbai Cricket Academy and Shirke group which is a renowned player in the infrastructure industry in Pune. Shirke group plans to open a host of these high end recreation centres in more cities across the nation. Established in the year 1944, the group prides itself in being a multi disciplinary consortium having seven international technology tie-ups and over 12000 employees.

With the advent of the MCA RC, India is going to see a new innovation in terms of clubbing. The MCA RC breaks the conventional ideas associated with clubbing as it brings on a heady mix of sports and recreation with the idea of clubbing. The internationally styled and well equipped club is definitely worthy of applaud as some of the most successful entrepreneurs of Mumbai and elsewhere are seen frequenting the premises. Not only is the MCA RC a great place to hang out and unwind in but also is a great location to hold business meetings and have some great parties. Being in the member's list of the MCA RC is definitely a status symbol in itself, you either feature in it, or you don't!

FOR MEMBERSHIP CONTACT

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Email :arvind@mcarecreationcentre.com

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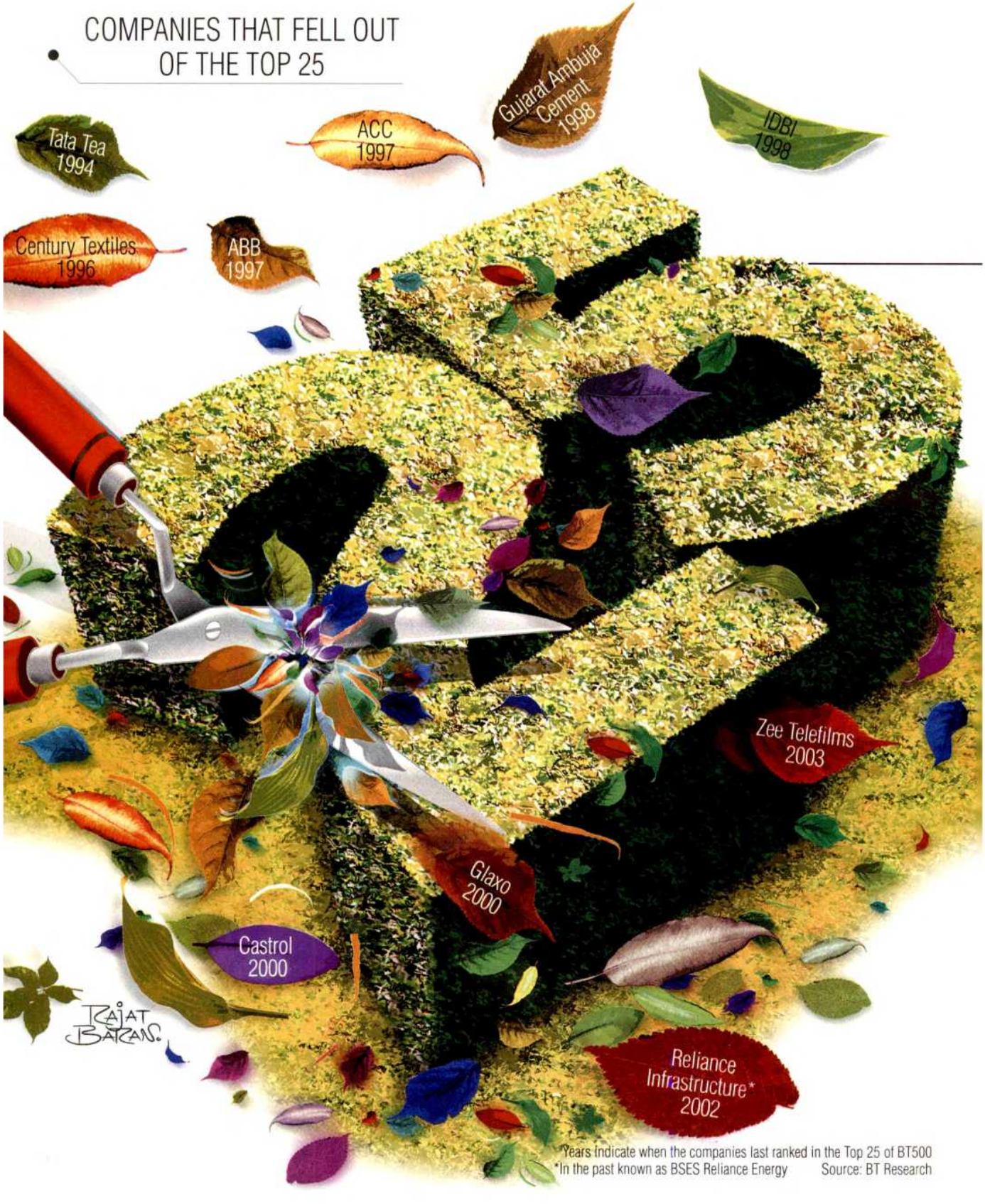
Bandra Kurla Complex, Bandra (E), Mumbai

www.mcarecreationcentre.com



*Years indicate when the companies last ranked in the Top 25 of BT500
*In the past known as BSES Reliance Energy Source: BT Research

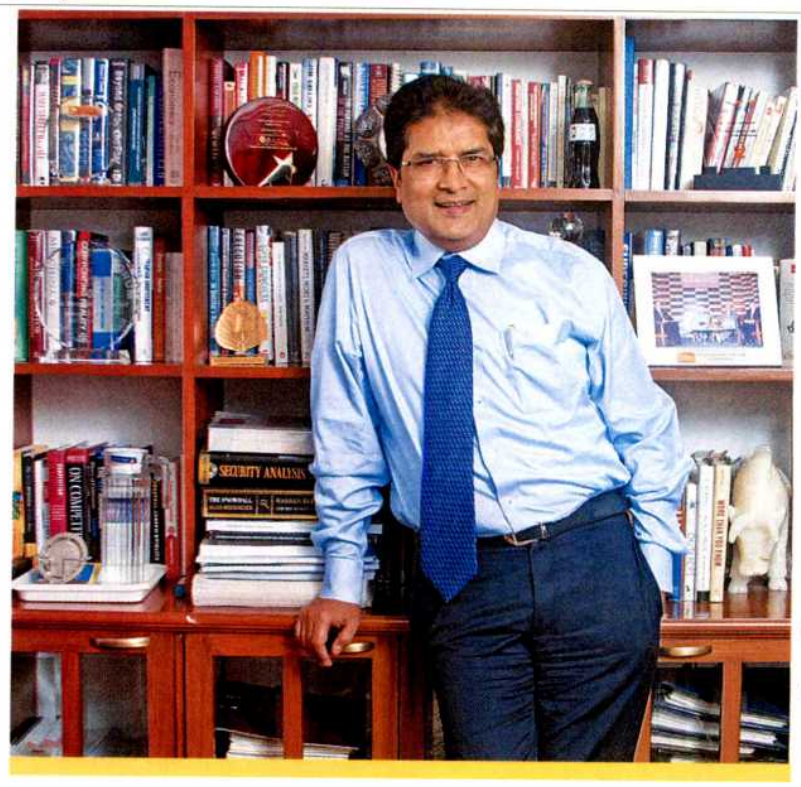
FALLEN LEAVES

How and why once-mighty companies fell off the *BT* Top 25 list.

BY SUMAN LAYAK and E. KUMAR SHARMA

As the present now will later be the past
The order is rapidly fadin'
And the first one now will later be last
For the times, they are a-changin'
– Bob Dylan

Grasim, Gujarat Ambuja, ACC, Cipla, Tata Tea... the list of companies that were once a shoo-in for the Top 25 positions in the BT500, but have since fallen down the rankings, is long. Why did they fall, and what sort of companies will compete for the zenith in coming years? Corporate India's answers are varied. Some experts feel that reaching the top in market capitalisation depends greatly on external factors, primarily the sectors the company operates in, the degree of consolidation in these sectors and the winds of economic change, rather than the company's own efforts. "Telecom, information technology, oil and gas and commodities have come up," says Raamdeo Agrawal, Joint Managing Director of broking firm Motilal Oswal. "To be in the Top 25, one has to also be in seriously consolidated sectors, with sales of ₹50,000 to ₹60,000 crore and profits of half a billion dollars. Only a few businesses offer that opportunity."



NISHIKANT GAMRE/www.indiatodayimages.com

SOME COMPANIES THAT BRIEFLY MADE THE TOP 25

COMPANY	WHEN
Nirma	2001
Hughes Software	2000, 2001
Global Tele Systems	2001
Essar Gujarat	1992, 1995
Madura Coats	1992
Ashok Leyland	1995
EIH (Oberoi Hotels)	1997
Jet Airways	2005
Jaiprakash	1993, 2009

BIG GUNS THAT HAVE MERGED INTO OTHERS

COMPANY	ACQUIRER
Brooke Bond	*HUL
Lipton	HUL
Indian Aluminium	Hindalco
Indo Gulf Fertilisers	Aditya Birla Nuvo
Indian Rayon	Aditya Birla Nuvo
Reliance Petroleum	Reliance Industries

*Hindustan Unilever

This is especially the case with pharmaceutical companies. There was a time when GlaxoSmithKline (then simply Glaxo), Cipla, Dr Reddy's and Ranbaxy would all figure in the Top 25 list. Currently, only Sun Pharma finds a place. It stands at rank 30, but if private companies are considered separately, its rank jumps to 19. (This year, the BT500 list has grouped private and public sector companies together; in earlier years they were ranked separately.)

"Pharma companies have grown at a slower pace than the rest," says Vinod Sharma, Head of Private Broking and Wealth Management, HDFC Securities. "In the last 10 years, their sales growth has been at least 200 basis points lower than the other companies on the Bombay Stock Exchange 500 list. So they have been elbowed out of the top."

Sun Pharma has held its own because of its pronounced global focus, feels Agrawal. "Pharma companies that have a greater global play are doing better, while the ones that were more India-focused have fallen behind," he says. Sun Pharma, with a market cap of ₹46,853 – on

"There is a culture of low dividend payment by promoters in India... So no one invests in the markets for a steady dividend income"

Raamdeo Agrawal
Joint MD, Motilal Oswal

October 4 – is the second-largest generic pharma company in the world after the Israel-headquartered Teva Pharmaceutical.

Again, right up to the mid-1990s, cement major ACC was a giant, frequently in Top 25 lists, with a share book value of ₹100 when most others' book values were of ₹10. Its scrip always traded at a much higher price than that of others. But now it is way down in the rankings, as are other cement makers like Gujarat Ambuja and Grasim. "Cement companies have low price

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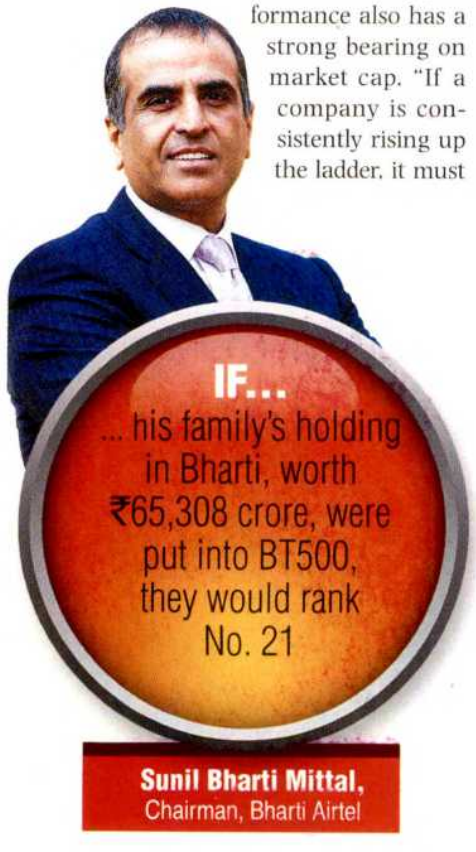
to earnings, or PE, multiples now and, therefore, are out of the top league," says Sharma. Agrawal notes that cement is essentially a local product, with little scope for global play. In an increasingly globalised world, this limits the capacity for growth of those in this sector.

Curiously, even as the Aditya Birla Group's footprint has grown enormously under Kumar Mangalam Birla, its companies which were regulars on the *BT* Top 25 list at one time, Grasim and Hindalco, are no longer on it. While Grasim is way down the list, aluminium giant Hindalco is ranked 39. (Had private companies been considered separately, Hindalco would have been at 27, still outside the Top 25.) So too Aditya Birla Nuvo, formed through the merger of Indian Rayon and Indo Gulf Fertilisers, both of which were in the Top 25 once, falls outside this elite group now.

But individual performance also has a strong bearing on market cap. "If a company is consistently rising up the ladder, it must be better managed than others," says HDFC's Sharma. "If it is sliding, its management may also be deteriorating."



Sunil Bharti Mittal,
Chairman, Bharti Airtel

SHEKHAR GHOSH/www.indiatodayimages.com

Agrawal believes that the market caps of many successful companies suffer because the promoters are miserly in rewarding shareholders. "There is a culture of low dividend payment by promoters in India," he says. "So no one invests in the markets for a steady dividend income."

He is equally critical of companies that sit on large cash reserves without investing them. "Shareholders want to see their money invested as risk-capital," he says. "Holding it as cash is the worst use of capital. Companies should either invest it or return it as dividend."

What does the future hold? Both Sharma and Agrawal feel financial services and banks will be winning sectors in coming years and can dominate the Top 25 list. "There is a boom in consumer facing industries," he says.

Roopen Roy, Managing Director, the management consulting arm of Deloitte in India, is betting on health care. "The developed world is ageing fast," he says. "There will be an expansion in the demand for health care. Innovators will develop business models to keep the lid on surging costs that will threaten the financial stability of developed nations. The health care industry in India is poised to be a hotbed of innovation."

> "The developed world is ageing fast... and health care industry in India is poised to be a hotbed of innovation"
>
> **Roopen Roy**
> MD, Deloitte Consulting, India

The current slowdown and churn in global markets will leave a lasting impact, many feel. "When we emerge from the current crisis, many mighty brands will have fallen, many currently famous enterprises will have bitten the dust," says Roy. "Those enterprises that cut costs and restructure successfully will survive. Those which innovate and transform will thrive." ◆

$17 billion in annual revenue,
100,000 employees,
1000+ products and services,
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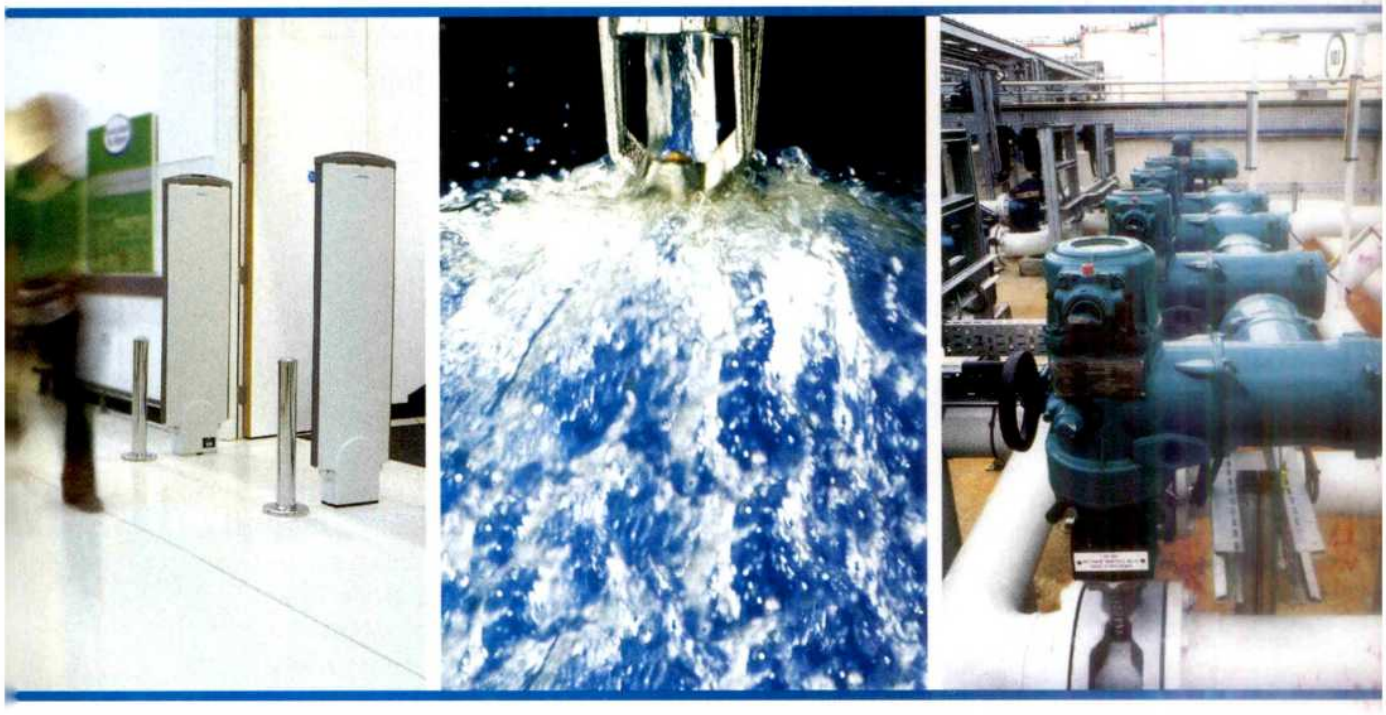
3 business segments,
1 global company.



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THE SLOW, GREAT SQUEEZE

Costs are up and margins are down. It is time for companies to think afresh and innovate, as they wait for sustained demand and better times

BY SHALINI S. DAGAR

Confucian wisdom demands that one economises during hard times, or else there is agony. With the central bank slamming the brakes on economic growth, corporate India is doing just that. Insistent cost pressures over the past four to six quarters have put pressure on margins. And companies have either passed on costs to their customers or bravely tightened their belts. The headroom, however, continues to shrink.

The hit comes from multiple sources. An analysis of the BT1000 companies over the past financial year shows that while total income and profits before interest, taxes, depreciation and amortisation have grown 20.6 per cent and 15.8 per cent, respectively, raw material costs have outpaced them with 24.7 per cent growth. Salaries and wages grew 17.5 per cent, power and fuel costs 20.8 per cent. Meanwhile, interest payouts by these 1,000 companies, too, went up by 13.2 per cent.

COST INCREASES HAVE HIT COMPANIES HARD

	March – YoY* change	June – YoY* change
Raw materials, stores & spares	24	23
Salaries and wages	15	18
Interest expenses	28	34

Figures (in %) are for 4,980 listed companies excluding banks and refineries * year on year Source: CMIE Prowess

VIVAN MEHRA/www.inflatodayimages.com

Companies have either passed on costs to their customers or bravely tightened their belts. The headroom, however, continues to shrink

RACHIT GOSWAMI\www.indiatodayimages.com

Higher raw material costs have hit the tyre industry hard. "Over the past year, our raw material costs have gone up by 40 per cent," says Sunam Sarkar, Chief Financial Officer, or CFO, Apollo Tyres. Natural rubber, which constitutes around half of this cost, has escalated by 70 per cent. As a result, the industry's wafer-thin margins are down by nearly a third.

The story is the same with energy costs. Cement companies are among the hardest-hit with fuel-related costs making up 50 to 55 per cent of total costs. "Fuel cost has almost doubled and, on a per bag basis, the impact is ₹25-30," says M.K. Singhi, Executive Director, Shree Cements.

The cascading impact of higher crude oil prices, however, was felt both directly and indirectly. Higher freight costs and higher cost of many derivatives, such as packaging material, meant a broader hit. The price of Brent crude oil moved up by nearly 47 per cent in the past year alone.

In such a situation, passing on costs to the customer is about the only option. "Apart from taking various measures of productivity or efficiency within the organisation... we will have to pass on this cost increase to our customers to sustain our service quality," says Yogesh Dhingra, Finance Director & Chief Operating Officer, Blue Dart Express.

Car manufacturers have increased prices, passing on higher costs of steel and plastics. Apollo Tyres increased prices by around 17 per cent across product categories.

> "... We'll have to pass on the cost increase to our customers to sustain the quality of our service"
>
> **Yogesh Dhingra**
> COO, Blue Dart Express

PAIN POINTS OVER THE PAST 12 TO 18 MONTHS

Raw Materials

Crude-led inflation has hit Indian companies. Commodities such as metals, too, have been volatile, affecting margins

Wages & Salaries

Manpower costs have gone up by 12 to15 per cent. But this is a cost companies do not mind if revenue keeps pace

Finance Cost

12 rate hikes of 350 basis points in all in18 months have upped the interest cost for almost everyone. Those with surplus cash have options, but others have cut expansion plans

Forex Volatility

Imports and foreign funds have become expensive with rupee sliding against most currencies, limiting options for those wanting to expand

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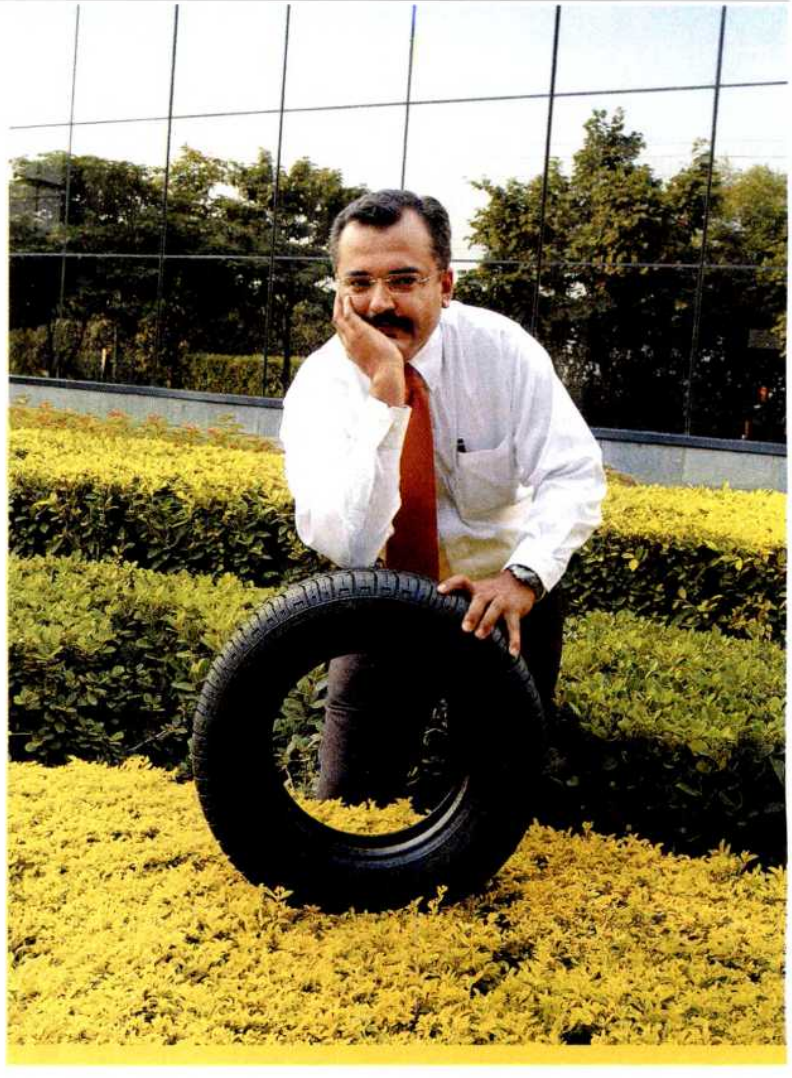
And Meru Cabs' services have become dearer by 20 to 25 per cent in select cities.

The twist is, many companies have managed to retain a great deal of pricing strength in this period due to resilient demand. Take the paper industry, where raw material costs of both pulp and paper have gone up. "Demand was strong, so whatever increase we got was passed on to the customers," says B. Hariharan, Group Director (Finance), Avantha Group, which includes paper maker Ballarpur Industries and capital goods company Crompton Greaves. When costs eased off a bit, Ballarpur did scale back some price increases, but it is again planning a five per cent price increase in the October to December quarter.

"Indian corporates have passed on cost increases fairly successfully in financial year 2010/11," says Manoj Thakur, CEO, Avendus PE Investment Advisors. "If you pass on price increases two to three times and still demand does not come off, it indicates that this is a demand-led inflation."

However, the ability to pass on costs is uneven across the corporate universe. Overall margin impact for companies such as Chennai-based CavinKare is in the region of 12 per cent due to higher crude and vegetable oil prices, but the company was able to raise prices only by eight per cent. The problem, as CavinKare Chairman C.K. Ranganathan points out, is that low prices are particularly sticky in some categories such as low-ticket shampoo satchels of ₹1 to ₹2. CavinKare, however, is working on cost optimisation strategies, like a focus on market segments that have low-price sensitivity, such as deodorants. And it is not the only one.

Apollo Tyres is working on minimising production costs, removing bottlenecks, and increasing quality control at its production facilities. Improved product mix and sourcing from more competitive sources are the other strategies being used.



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"Over the past year, our raw material costs have gone up by 40 per cent"

Sunam Sarkar
CFO, Apollo Tyres

Unrelenting demand, regardless of price hikes, means inflation numbers have been pretty intransigent. In a bid to reduce inflation, the central bank raised interest rates 12 times in the past six quarters by an aggregate 350 basis points. While the inflation rate remains close to the 13-month high reached in August 2011, another hydra-headed monster – steep funding costs – has emerged. Cement companies, for instance, have seen interest costs go up from nine per cent to 11.5 per cent, adding ₹5 to ₹6 to the cost of each bag. Again, higher working capital costs have reduced margins. Higher capital costs have also forced cement companies to put new plants on hold, Singhi of Shree Cements says.

Other companies' fund-raising plans, too, have been stymied. CavinKare's Ranganathan, for instance, says: "Many of our plans are on hold even though demand continues to be robust." The company has chosen to be prudent by cutting back on spending, especially on capital costs.

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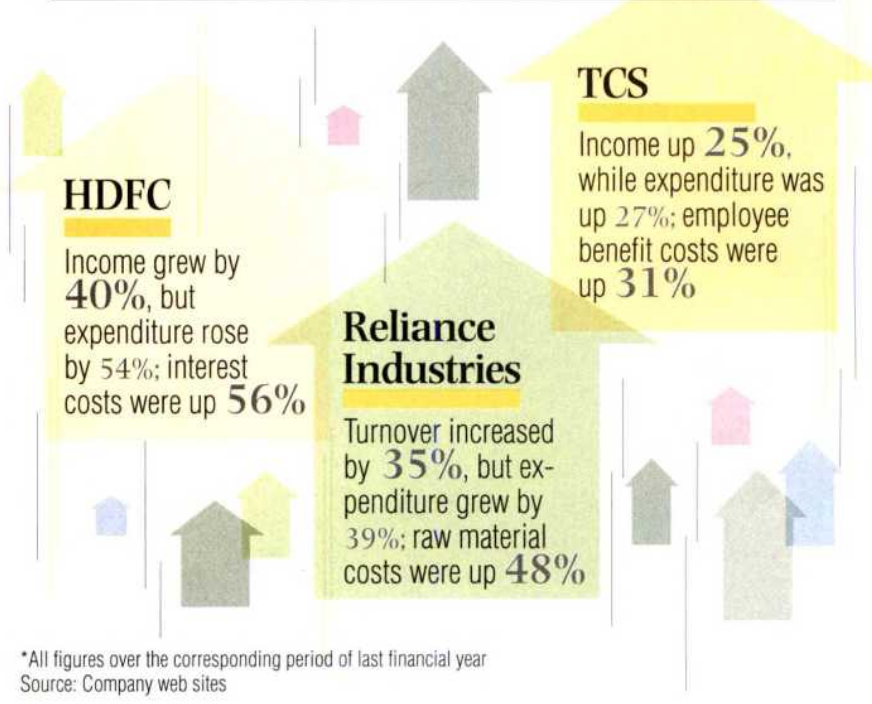
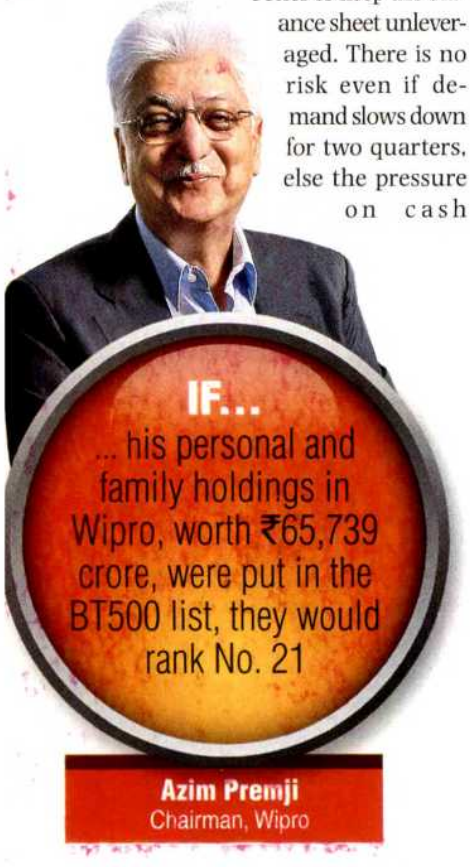
BITTER AFTERTASTE (IN THE JULY-SEPT QUARTER*)



*All figures over the corresponding period of last financial year
Source: Company web sites

Meru Cabs is particularly affected because 80 per cent of its fleet cost is financed by banks. A 25 to 30 per cent increase in interest costs directly hits its bottom line. Gross margins have contracted by 15 per cent over the past two years, complains Rajesh Puri, CEO, Meru Cabs. But unlike cement companies or car manufacturers, he cannot pass on costs to the consumer without government approval. So counter-intuitively, he seeks expansion to defray his high fixed costs over a larger base. Growth is the medicine he takes.

At the other end of the spectrum, Avantha Group's Hariharan is quite comfortable with having a near-zero debt company, Crompton Greaves, under his watch despite its sub-optimal capital structure. It gives the company flexibility in uncertain times. "In the infrastructure space, the off-take has not been robust. It is better to keep the balance sheet unleveraged. There is no risk even if demand slows down for two quarters, else the pressure on cash flows is immense," he explains.



Another gremlin that occasionally rears its head for importers is the cost associated with volatile forex markets. In the past quarter alone, the rupee has depreciated by 10 per cent. While export companies will be uncorking the champagne, companies such as Apollo Tyres, which import nearly 60 per cent of their raw material, have to bear the brunt.

Yet another factor that loads the cost equation is wages and salaries. Travel portal Yatra.com is a case in point. Being in the service industry and having surplus cash, Yatra Online CFO Alok Vaish's stress is restricted to salary hikes by 10 to 13 per cent. "Finding and retaining good talent at reasonable cost is a challenge that we all have to deal with and don't think we can get away from," says Vaish. The average increase across industries has been in the 12 to 18 per cent range. Most finance heads have made their peace with the salary costs, though, and are amenable to giving bigger hikes in specific instances to retain talent. "With India going through such an expansionary phase, it is only natural that good talent will be in high demand," says Vaish.

The outlook depends on the way in which these cost pressures play out in the coming quarters. A recent cash flow stress test on 96 companies in India, by Morgan Stanley, found that though risks are rising, they are nowhere near 2008 stress levels. Significantly, corporate balance sheets are stronger with net debt to equity being about 30 per cent lower.

Moreover, relief on the major pain point of higher interest rates is expected. According to the rating agency CRISIL, rates have almost peaked. "They may increase marginally and then will move downwards," says Pawan Agrawal, Director, CRISIL. Most CFOs that *BT* spoke with remained cautious and upbeat in the same breath. They are cautious because the headroom to pass on more cost pressures is getting exhausted; and upbeat because demand remains resilient. It is time to cross fingers and pray. ◆

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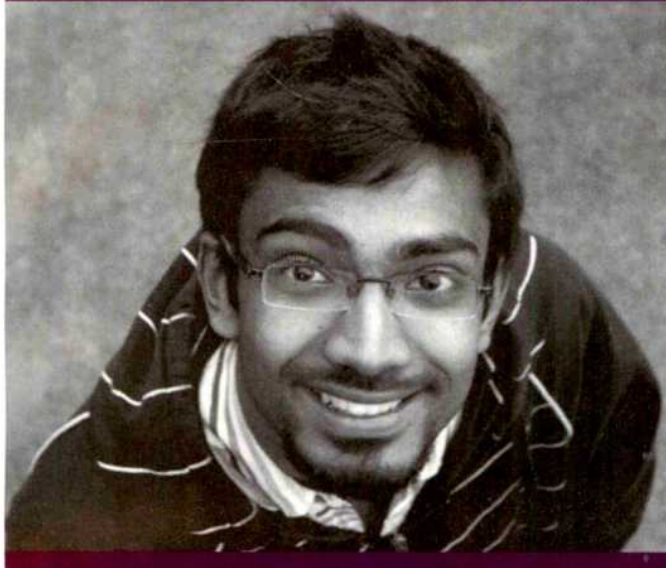

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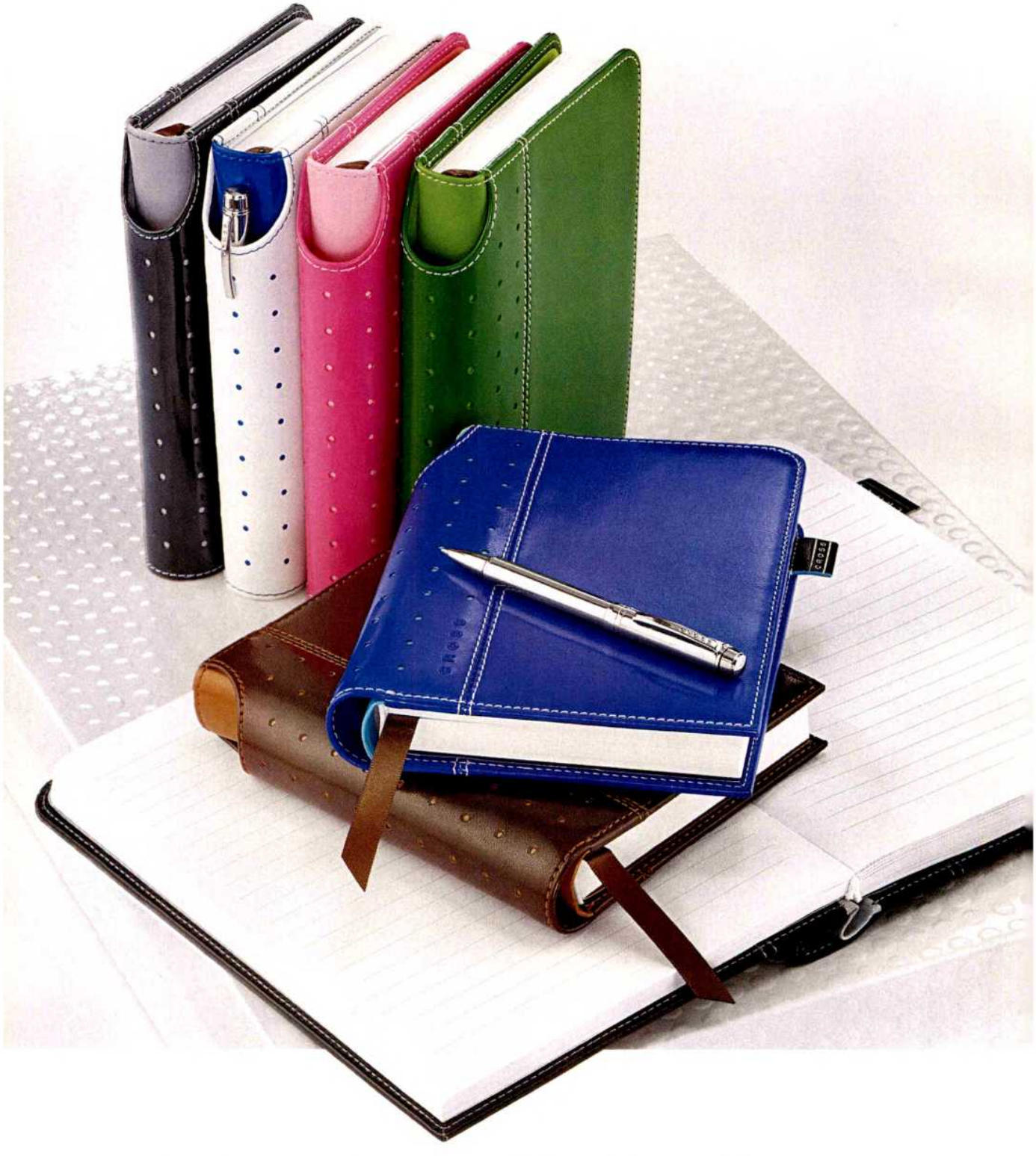

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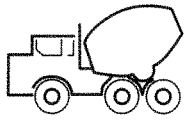

ULTRATECH STOCK ZOOMS, AND ITS TOP LINE ALSO SKYROCKETS 95 PER CENT

RANK 2011	RANK 2010*	RANK 2010**	COMPANY	AVERAGE MARKET CAPITALISATION (₹ crore) Apr-Sep 2011	Apr-Sep 2010	Growth %	2010/11	2009/10
1	1	1	**Reliance Industries**	2,88,631.6	3,36,786	**-14.3**	3,34,720	3,28,899
2	NL	NL	**Coal India**	2,39,595.6	na	**na**	202,081	na
3	1*	2	**Oil & Natural Gas Corpn.**	2,38,320.0	2,58,801	**-7.9**	2,60,799	2,36,425
4	3	5	**Tata Consultancy Services**	2,17,190.7	1,58,684	**36.9**	1,86,053	1,11,329
5	2	4	**Infosys**	1,56,306.0	1,58,923	**-1.6**	1,69,302	1,23,247
6	5	10	**ITC**	1,51,078.4	1,13,773	**32.8**	1,22,170	87,581
7	3*	6	**State Bank of India**	1,48,196.7	1,57,989	**-6.2**	1,69,256	1,21,198
8	4	9	**Bharti Airtel**	1,46,768.8	1,14,928	**27.7**	1,21,171	1,35,152
9	2*	3	**NTPC**	1,45,760.7	1,66,343	**-12.4**	1,61,376	1,71,551
10	7	13	**ICICI Bank**	1,16,297.8	1,05,373	**10.4**	1,15,398	86,777
11	9	15	**HDFC Bank**	1,10,504.1	94,220	**17.3**	99,092	67,757
12	6	12	**Larsen & Toubro**	1,01,142.2	1,06,070	**-4.6**	1,08,714	87,867
13	6*	11	**NMDC**	1,00,477.0	1,07,451	**-6.5**	1,07,266	1,45,580
14	8	14	**Wipro**	99,149.5	1,00,267	**-1.1**	1,05,037	79,598
15	10	17	**Housing Development Finance Corpn.**	98,723.1	86,329	**14.4**	92,948	69,710
16	5*	8	**Bharat Heavy Electricals**	93,406.7	1,19,066	**-21.6**	1,14,804	1,08,045
17	4*	7	**MMTC**	86,429.6	1,48,811	**-41.9**	1,29,545	1,52,937
18	7*	16	**Indian Oil Corpn.**	79,175.1	87,211	**-9.2**	86,744	70,426
19	20	31	**Adani Enterprises**	72,781.3	38,749	**87.8**	56,600	18,822
20	14	23	**Hindustan Unilever**	67,858.2	55,842	**21.5**	59,645	56,057
21	12	20	**Cairn India**	59,972.5	59,736	**0.4**	61,502	48,167
22	11	19	**Jindal Steel & Power**	56,536.3	62,371	**-9.4**	63,026	50,965
23	9*	22	**GAIL (India)**	56,447.2	57,144	**-1.2**	59,007	44,795
24	18	27	**Hindustan Zinc**	56,339.4	45,056	**25.0**	49,218	36,697
25	8*	18	**Steel Authority of India**	55,700.4	84,433	**-34.0**	79,496	74,853
26	19	29	**Tata Motors**	53,423.6	43,652	**22.4**	53,589	24,899
27	17	26	**Tata Steel**	52,846.7	49,280	**7.2**	53,693	40,747
28	13	21	**Sterlite Industries (India)**	52,505.4	58,759	**-10.6**	58,291	57,318
29	15	24	**Axis Bank**	50,909.1	52,866	**-3.7**	54,285	34,753
30	24	36	**Sun Pharmaceutical Inds.**	49,153.1	35,865	**37.1**	40,870	28,265
31	10*	28	**Power Grid Corpn. of India**	47,573.8	43,988	**8.2**	44,560	45,614
32	27	40	**Mahindra & Mahindra**	44,074.4	34,673	**27.1**	39,014	24,430
33	25	37	**Bajaj Auto**	41,543.0	35,264	**17.8**	38,330	19,508
34	32	48	**Nestle India** ▼▼	39,818.8	28,241	**41.0**	31,382	21,834
35	16	25	**DLF**	37,668.1	52,344	**-28.0**	50,523	59,458
36	23	34	**Hero MotoCorp**	37,181.3	38,036	**-2.2**	36,335	31,037
37	22	33	**Maruti Suzuki India**	34,391.9	38,048	**-9.6**	38,566	38,078
38	14*	41	**Punjab National Bank**	34,152.8	34,282	**-0.4**	35,945	24,243
39	29	44	**Hindalco Industries**	33,860.2	31,492	**7.5**	36,666	21,323
40	17*	52	**Bank of Baroda**	33,437.8	27,042	**23.7**	30,141	17,293
41	33	49	**Kotak Mahindra Bank**	33,214.2	28,202	**17.8**	30,513	24,225
42	37	55	**HCL Technologies** ○○	32,184.9	26,077	**23.4**	28,309	18,770
43	15*	42	**Oil India**	31,521.4	31,869	**-1.1**	32,235	28,528
44	21	32	**Reliance Power**	30,286.5	38,293	**-20.9**	38,799	36,857
45	12*	35	**NHPC**	30,215.5	37,501	**-19.4**	35,623	40,577
46	31	46	**Mundra Port & Special Economic Zone**	29,987.1	29,802	**0.6**	29,619	22,650
47	40	59	**Siemens**◆◆	29,783.8	24,163	**23.3**	25,840	17,801
48	42	61	**Asian Paints**	28,883.9	22,989	**25.6**	24,118	14,100
49	30	45	**Tata Power Co.**	28,524.5	30,941	**-7.8**	31,036	28,821
50	65	89	**UltraTech Cement**	28,470.9	15,076	**88.9**	21,912	10,054

TOTAL ASSETS (₹ cr) 2010/11	Rank	TOTAL INCOME (₹ cr) 2010/11	2009/10	Rank (2011)	NET PROFIT (₹ cr) 2010/11	2009/10	Rank (2011)	PROFIT AS % OF TOTAL INCOME	RONW (%) 2010/11	ROCE (%) 2010/11	EPS (₹)
2,84,900	7	2,62,161	2,03,627	2	20,286	16,236	1	7.74	14.78	13.63	64.43
27,865	72	5,857	4,844	113	4,796	3,860	18	81.88	26.28	26.39	9.61
1,86,167	14	74,088	66,180	6	18,924	16,768	2	25.54	20.67	30.69	22.09
26,075	76	29,967	23,455	23	7,570	5,619	7	25.26	43.89	49.61	41.26
29,030	68	26,532	22,426	26	6,443	5,803	11	24.28	27.69	37.91	116.09
25,844	78	31,507	27,063	21	4,988	4,062	14	15.83	33.35	48.71	6.75
12,24,694	1	98,467	86,969	5	8,265	9,166	5	8.39	12.66	36.27	109.19
79,167	31	38,508	36,838	17	7,717	9,426	6	20.04	19.09	18.05	19.01
1,38,412	22	59,294	50,091	8	9,103	8,728	4	15.35	13.97	12.27	9.09
4,06,678	2	33,083	33,190	20	5,151	4,025	13	15.57	9.65	15.28	47.36
2,77,429	8	24,487	20,159	31	3,926	2,949	23	16.03	16.74	40.98	17.96
58,986	42	45,977	39,639	13	3,957	4,375	22	8.61	19.73	23.90	64.91
28,349	70	12,587	7,110	57	6,499	3,447	10	51.63	38.85	58.18	16.98
34,226	59	27,141	23,921	25	4,844	4,898	17	17.85	24.83	23.63	20.15
1,39,552	21	13,098	11,620	54	3,532	2,842	25	26.96	21.72	10.10	25.03
66,978	38	45,991	38,433	12	6,011	4,311	12	13.07	33.33	50.28	124.15
12,710	115	69,594	45,953	7	122	216	327	0.17	9.12	8.04	0.65
1,86,415	13	3,62,232	2,98,610	1	7,444	10,219	8	2.06	14.07	11.77	29.31
11,961	118	3,463	11,775	181	269	254	186	7.77	4.59	4.01	2.6
10,223	132	21,136	19,017	34	2,306	2,202	35	10.91	88.42	110.43	10.15
33,418	62	95	172	917	-213	-69	991	-223.63	-0.67	-0.24	-0.98
26,492	75	10,782	8,148	65	2,064	1,480	40	19.14	26.76	17.63	22.46
32,610	65	33,426	25,929	18	3,561	3,140	24	10.65	19.76	26.70	28.84
25,060	80	11,479	9,160	64	4,900	4,041	16	42.69	24.11	29.25	13.03
77,229	32	49,366	48,388	11	4,905	6,754	15	9.94	13.94	14.31	10.61
54,875	44	52,565	40,390	10	1,812	2,240	43	3.45	10.37	10.62	6.75
90,729	26	33,338	28,046	19	6,861	5,047	9	20.58	16.07	16.50	78.25
33,289	63	17,975	15,091	42	1,420	824	51	7.90	6.25	7.56	4
2,42,746	10	19,794	15,612	38	3,388	2,515	27	17.12	19.34	34.99	87.04
7,738	155	3,375	2,681	187	1,384	899	54	41.00	22.32	23.31	14.33
75,792	34	9,087	7,495	72	2,674	2,014	30	29.43	14.20	9.28	5.84
19,601	90	26,159	20,816	27	2,662	2,088	31	10.18	29.39	30.68	44.05
11,785	119	18,753	12,675	39	3,340	1,700	28	17.81	85.21	91.58	94.55
2,607	328	6,419	5,267	100	819	655	91	12.75	113.96	158.53	91.99
35,231	58	4,184	3,234	160	1,270	765	57	30.34	9.53	11.25	6.68
10,845	125	21,488	17,760	33	1,928	2,232	42	8.97	60.05	60.68	103.86
24,637	81	42,011	33,127	15	2,289	2,498	36	5.45	17.81	23.19	82.12
3,78,354	3	30,677	25,104	22	4,434	3,905	19	14.45	26.38	51.59	141.1
46,200	52	25,719	21,239	28	2,137	1,916	38	8.31	7.42	7.79	11.68
3,58,397	4	24,971	20,051	30	4,242	3,058	20	16.99	24.49	54.00	113.1
50,851	48	5,038	3,959	137	818	563	92	16.24	14.39	22.21	11.86
9,135	144	5,256	4,942	130	1,057	997	71	20.10	25.08	24.27	17.37
21,438	86	12,979	10,536	55	2,888	2,611	29	22.25	19.68	28.46	132.45
17,601	93	492	388	675	275	273	185	55.75	1.83	1.96	0.47
47,583	51	5,951	5,044	109	2,167	2,091	37	36.41	9.05	8.60	0.54
8,551	147	2,005	1,564	287	986	701	76	49.18	25.36	17.59	5.14
11,336	121	9,718	9,182	70	827	1,045	90	8.51	25.88	39.71	27.26
5,694	193	7,321	5,952	85	775	775	94	10.59	43.89	62.38	85.53
21,324	88	7,502	7,445	83	894	939	83	11.92	8.18	8.76	3.98
20,156	89	15,271	7,851	47	1,404	1,093	53	9.20	18.39	20.77	67.31

* Ranks as published in last year's BT500; #Ranking in top 50 PSU listing of 2010; ** Ranks after combining last year's lists of private companies and PSUs; Parameter ranks are for within the top 1,000 companies; Ranks have been assigned based on multiple decimals; because of rounding off, some ranks may appear incorrect; Results are audited and standalone; NA: Not available; na: Not applicable; NL: Not listed on the bourses; NR: Not ranked last year; RONW: Return on net worth; ROCE: Return on capital employed; EPS: Earnings per share; All data for FY ended March 2011 unless otherwise indicated; ▼▼ 12 months ended December 2010; ◆◆ 12 months ended June 2010; ◆◆◆ 12 months ended September 2010

Source: CMIE Prowess

Check the performance of the BT500 companies over the past five years. Go to www.businesstoday.in/bt500-2011

BT 500 INDIA'S MOST VALUABLE COMPANIES—The Top 500

IDEA CELLULAR MAKES THE RIGHT CALLS, REPORTS 25 PER CENT GROWTH IN TOTAL INCOME, BUT REDUCES PROFITABILITY

BATTERED ON ALL FRONTS, RELIANCE COMMUNICATIONS RANKS AN ASTONISHING 997 OUT OF 1,000 COMPANIES ON NET PROFIT

A HEADY BREW CONCOCTED BY THE LIQUOR MAJOR UB HAS SEEN ITS MARKET VALUE SURGE BY 87 PER CENT

RANK 2011	RANK 2010*	RANK 2010**	COMPANY	AVERAGE MARKET CAPITALISATION (₹ crore) Apr-Sep 2011	Apr-Sep 2010	Growth %	2010/11	2009/10
51	45	65	**Idea Cellular**	26,698.8	21,295	**25.4**	21,784	20,473
52	41	60	**Dr. Reddy's Laboratories**	26,369.2	23,005	**14.6**	25,391	15,519
53	38	56	**Cipla**	24,828.3	26,059	**-4.7**	26,492	22,668
54	13*	38	**Power Finance Corpn.**	24,569.3	35,180	**-30.2**	34,963	25,718
55	11*	30	**Hindustan Copper**	24,269.9	43,424	**-44.1**	37,390	28,076
56	28	43	**Sesa Goa**	23,506.1	31,551	**-25.5**	29,367	23,037
57	20*	63	**Bharat Petroleum Corpn.**	23,400.7	22,612	**3.5**	23,081	18,493
58	34	50	**Adani Power**	22,811.4	27,654	**-17.5**	27,599	22,173
59	22*	71	**Canara Bank**	22,796.5	19,119	**19.2**	22,894	13,158
60	57	80	**Bosch▼▼**	21,837.1	17,197	**27.0**	18,339	12,646
61	21*	66	**Bank of India**	21,512.2	20,720	**3.8**	22,645	18,066
62	49	70	**Ranbaxy Laboratories▼▼**	21,151.0	19,497	**8.5**	21,173	15,075
63	51	73	**Ambuja Cements▼▼**	21,036.2	18,167	**15.8**	19,442	14,754
64	18*	53	**National Aluminium Co.**	20,675.2	26,783	**-22.8**	26,240	22,424
65	47	68	**Grasim Industries**	20,642.1	19,803	**4.2**	20,581	22,408
66	16*	47	**Rural Electrification Corpn.**	20,216.5	29,424	**-31.3**	29,442	17,296
67	61	84	**Lupin**	19,942.8	16,320	**22.2**	17,935	10,000
68	60	83	**ACC▼▼**	19,159.9	16,589	**15.5**	17,875	15,203
69	39	58	**IDFC**	19,037.4	24,309	**-21.7**	24,664	18,113
70	58	81	**GlaxoSmithKline Pharmaceuticals▼▼**	18,953.4	16,984	**11.6**	17,922	12,308
71	74	102	**Titan Industries**	18,941.6	11,190	**69.3**	13,353	5,811
72	26	39	**Reliance Communications**	18,930.0	35,063	**-46.0**	31,505	47,190
73	62	86	**Dabur India**	18,632.2	17,037	**9.4**	17,113	12,181
74	44	64	**JSW Steel**	18,435.4	21,485	**-14.2**	22,761	14,906
75	70	97	**Cadila Healthcare**	17,787.2	12,628	**40.9**	14,058	7,109
76	55	77	**ABB▼▼**	17,753.5	17,433	**1.8**	17,035	15,416
77	52	74	**Oracle Financial Services Software**	17,386.6	18,053	**-3.7**	18,190	14,661
78	35	51	**Jaiprakash Associates**	16,567.4	27,155	**-39.0**	24,631	27,828
79	19*	57	**Neyveli Lignite Corpn.**	16,388.1	26,023	**-37.0**	23,863	22,796
80	53	75	**Essar Oil**	15,780.4	17,661	**-10.6**	17,640	17,544
81	24*	85	**Union Bank of India**	15,423.4	16,266	**-5.2**	16,944	11,975
82	67	92	**Shriram Transport Finance Co.**	15,209.8	14,268	**6.6**	15,812	8,054
83	36	54	**Reliance Infrastructure**	14,567.7	26,776	**-45.6**	23,819	24,365
84	23*	78	**Container Corpn. of India**	13,994.8	17,379	**-19.5**	16,725	14,329
85	56	79	**Crompton Greaves**	13,970.8	17,354	**-19.5**	18,238	12,138
86	54	76	**Sun TV Network**	13,562.8	17,546	**-22.7**	18,343	11,905
87	25*	91	**Bharat Electronics**	13,391.2	14,284	**-6.3**	14,017	12,567
88	75	103	**Godrej Consumer Products**	13,334.8	10,983	**21.4**	11,745	6,346
89	71	98	**Cummins India**	13,029.7	12,208	**6.7**	13,268	6,918
90	73	101	**Exide Industries**	12,902.7	11,386	**13.3**	12,104	7,317
91	26*	94	**Hindustan Petroleum Corpn.**	12,842.1	14,065	**-8.7**	13,838	11,602
92	59	82	**United Spirits**	12,829.5	16,902	**-24.1**	16,915	12,120
93	76	104	**Colgate-Palmolive (India)**	12,763.5	10,913	**17.0**	11,222	8,517
94	43	62	**GMR Infrastructure**	12,741.5	22,988	**-44.6**	20,377	24,257
95	27*	95	**Mangalore Refinery & Petrochemicals**	12,666.0	13,308	**-4.8**	12,900	13,501
96	50	72	**Reliance Capital**	12,574.5	18,433	**-31.8**	17,159	20,081
97	29*	109	**IDBI Bank**	12,561.5	10,246	**22.6**	12,742	7,844
98	68	93	**Zee Entertainment Enterprises**	12,538.9	14,211	**-11.8**	13,593	9,407
99	78	106	**Castrol India▼▼**	12,525.6	10,688	**17.2**	10,865	6,141
100	114	152	**United Breweries▲▲**	12,297.2	6,583	**86.8**	8,680	3,547

TOTAL ASSETS (₹ cr) 2010/11	Rank	TOTAL INCOME (₹ cr) 2010/11	2009/10	Rank (2011)	NET PROFIT (₹ cr) 2010/11	2009/10	Rank (2011)	PROFIT AS % OF TOTAL INCOME	RONW (%)	ROCE (%)	EPS (₹)
								2010/11			
29,363	67	15,507	12,438	45	845	1,054	89	5.45	7.10	6.10	2.4
10,253	131	5,953	5,087	108	893	846	84	15.01	14.97	15.16	68.35
9,714	140	6,483	5,860	99	960	1,081	79	14.81	15.36	17.76	11.99
104,652	25	10,342	8,379	69	2,620	2,357	32	25.34	17.75	10.98	20.1
2,002	391	1,337	1,483	387	224	155	218	16.76	18.98	28.59	2.79
17,274	95	8,838	5,785	75	3,433	2,118	26	38.84	36.52	40.77	35.44
57,048	43	165,158	133,773	3	1,547	1,538	46	0.94	11.39	9.64	22.35
25,901	77	2,212	467	265	524	171	128	23.68	8.64	5.72	2.69
336,369	6	28,469	22,740	24	4,026	3,021	21	14.14	26.42	76.22	84.39
7,309	162	7,536	5,572	82	859	591	87	11.40	22.96	30.14	315.93
351,173	5	24,393	20,495	32	2,489	1,741	34	10.20	17.30	47.64	41.74
13,935	109	6,712	5,548	93	1,149	572	65	17.11	24.79	19.14	18.37
10,386	130	8,736	7,996	76	1,264	1,218	59	14.46	18.32	25.49	7.32
14,782	100	6,834	5,831	89	1,069	814	69	15.65	9.92	15.06	4.51
10,018	135	5,365	9,610	122	1,182	2,092	62	22.03	15.47	19.66	138.71
89,194	29	8,503	7,091	77	2,570	2,327	33	30.22	21.53	11.03	26.96
5,523	196	4,555	3,753	150	810	649	93	17.78	28.50	23.01	16.24
11,274	122	9,049	9,009	73	1,121	1,607	66	12.39	17.96	24.26	47.23
48,993	50	4,609	3,609	146	1,277	1,013	56	27.71	14.98	9.99	8.8
5,065	207	2,355	2,116	249	564	512	122	23.93	30.55	45.95	36.9
3,756	256	6,790	4,815	91	430	250	145	6.34	49.20	63.91	5.58
90,005	28	15,382	16,753	46	-759	479	997	-4.93	-1.54	-0.11	-3.1
2,429	341	3,346	2,935	190	472	433	138	14.10	53.47	57.18	2.72
41,668	54	25,588	20,028	29	2,011	2,023	41	7.86	15.25	14.10	100.34
3,632	260	3,041	2,491	202	610	503	112	20.07	32.89	28.01	26.91
5,843	186	6,695	6,573	94	63	355	503	0.95	2.62	4.87	5.58
6,555	175	2,523	2,335	239	968	661	78	38.37	20.75	21.45	119.04
37,972	56	14,421	12,084	49	1,168	1,712	64	8.10	13.43	11.14	3.49
19,308	91	4,970	4,724	140	1,296	1,246	55	26.08	12.15	12.71	7.76
33,564	61	53,697	43,278	9	654	29	106	1.22	11.66	9.63	8.58
236,771	11	18,590	15,557	40	2,077	2,075	39	11.17	20.89	62.01	37.09
33,727	60	5,441	4,501	121	1,230	873	61	22.61	28.36	16.77	56.95
35,892	57	10,360	10,938	68	1,081	1,152	67	10.43	6.80	7.48	35.93
5,771	189	4,033	3,887	167	876	787	86	21.72	18.81	22.67	67.07
4,359	228	6,514	5,776	97	694	617	103	10.66	34.37	46.45	10.62
2,861	309	1,971	1,438	294	772	567	95	39.19	35.10	52.57	20.02
14,342	102	5,947	5,595	110	858	711	88	14.42	18.35	24.67	105.72
2,362	348	2,598	1,345	231	435	248	144	16.74	36.84	41.25	9.8
2,902	305	4,380	3,157	153	591	444	116	13.49	35.10	48.11	22.22
3,623	261	5,732	4,586	115	666	537	104	11.62	27.17	37.62	7.26
60,698	40	145,288	117,642	4	1,539	1,301	47	1.06	12.77	8.94	9.92
10,204	133	12,970	9,316	56	385	376	152	2.97	7.80	11.81	29.27
1,045	551	2,424	2,124	246	403	423	150	16.61	113.38	146.40	28.02
9,934	136	734	185	562	59	13	526	8.02	0.91	2.63	0.18
21,396	87	44,044	36,813	14	1,177	1,112	63	2.67	19.44	24.01	7.52
26,704	74	1,986	2,432	288	230	339	213	11.57	3.32	6.36	12.54
253,614	9	20,707	17,619	37	1,650	1,031	45	7.97	15.82	27.60	17.03
3,578	265	2,278	1,446	257	576	559	120	25.31	20.12	28.84	5.13
1,331	492	3,248	2,794	192	491	381	135	15.12	93.66	141.38	20.2
2,204	364	3,033	2,510	204	97	62	384	3.20	11.10	11.22	6.4

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Source: CMIE Prowess

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BT 500 INDIA'S MOST VALUABLE COMPANIES—The Top 500

DESPITE 63 PER CENT REVENUE GROWTH, THE 46 PER CENT DECLINE IN MARKET VALUE PUSHES JSW ENERGY OUT OF THE TOP 100 CLUB

ROBUST GROWTH IN MARKET CAP IMPROVES DISH TV'S RANKING MARGINALLY, BUT ITS BOTTOM LINE CONTINUES TO BE A CONCERN

DESPITE BEING THE THIRD MOST PROFITABLE COMPANY AFTER SELLING ITS GENERICS BUSINESS, PIRAMAL'S MARKET VALUE FELL BY 38 PER CENT

RANK 2011	RANK 2010*	RANK 2010**	COMPANY	AVERAGE MARKET CAPITALISATION (₹ crore) Apr-Sep 2011	Apr-Sep 2010	Growth %	2010/11	2009/10
101	93	126	IndusInd Bank	12,207.6	8,554	42.7	10,182	4,335
102	63	87	Torrent Power	11,264.9	15,648	-28.0	14,123	11,441
103	37•	147	Petronet LNG	11,262.6	6,778	66.2	7,897	5,228
104	46	67	JSW Energy	11,056.9	20,329	-45.6	18,028	17,973
105	82	112	YES Bank	10,417.2	10,011	4.1	10,291	5,891
106	30•	111	LIC Housing Finance	10,357.8	10,067	2.9	10,117	6,350
107	95	128	Aditya Birla Nuvo	10,103.4	8,318	21.5	8,474	8,341
108	84	116	Divi's Laboratories	9,935.4	9,712	2.3	9,174	7,400
109	102	137	GSK Consumer Healthcare▼▼	9,841.7	7,282	35.2	8,177	4,860
110	33•	118	Oriental Bank of Commerce	9,733.9	9,281	4.9	9,747	5,509
111	66	90	Jaiprakash Power Ventures	9,621.7	14,294	-32.7	12,552	6,297
112	32•	114	Indian Bank	9,464.0	9,869	-4.1	10,306	6,433
113	28•	99	Engineers India	9,288.8	11,891	-21.9	11,342	7,245
114	34•	130	Allahabad Bank	9,274.2	8,123	14.2	9,049	4,718
115	91	124	Tata Chemicals	9,150.1	8,649	5.8	9,014	6,163
116	79	107	Mahindra Satyam	9,131.8	10,527	-13.3	9,379	10,374
117	103	138	Marico	9,078.3	7,258	25.1	7,570	5,429
118	117	155	Coromandel International	9,060.3	6,526	38.8	7,341	2,958
119	31•	113	SJVN	8,989.2	9,961	-9.8	9,575	NA
120	69	96	MphasiS❑	8,852.0	13,018	-32.0	12,779	11,429
121	107	142	Bhushan Steel	8,802.3	6,998	25.8	8,291	4,738
122	88	121	Tech Mahindra	8,780.4	9,127	-3.8	8,956	9,978
123	48	69	Unitech	8,666.9	19,696	-56.0	17,692	18,723
124	83	115	Suzlon Energy	8,488.5	9,866	-14.0	9,472	13,110
125	99	134	Bajaj Holdings & Invst.	8,432.2	7,575	11.3	8,169	4,950
126	NL	NL	L&T Finance Holdings	8,421.9	na	na	na	na
127	101	136	Glenmark Pharmaceuticals	8,409.0	7,431	13.2	8,062	6,166
128	124	164	Motherson Sumi Systems	8,382.2	5,997	39.8	6,637	3,711
129	40•	163	Indian Overseas Bank	8,360.1	6,024	38.8	6,954	5,165
130	146	191	Dish TV India	8,318.0	4,754	75.0	5,697	4,024
131	119	158	Pidilite Industries	8,190.9	6,454	26.9	6,853	3,958
132	NL	NL	Oberoi Realty	7,698.8	na	na	8,357	na
133	39•	156	Central Bank of India	7,697.2	6,512	18.2	7,060	4,726
134	35•	132	Corporation Bank	7,624.7	8,027	-5.0	8,595	5,420
135	38•	148	Andhra Bank	7,575.7	6,776	11.8	7,124	4,584
136	120	159	Bajaj Finserv	7,560.0	6,359	18.9	6,575	4,593
137	104	139	Bharat Forge	7,303.4	7,121	2.6	7,700	4,963
138	132	174	Federal Bank	7,137.1	5,638	26.6	6,286	4,022
139	72	100	Jaypee Infratech	7,090.1	11,774	-39.8	10,699	NA
140	98	133	United Phosphorus	7,072.8	7,788	-9.2	7,651	6,778
141	123	162	Biocon	7,038.3	6,309	11.6	6,931	4,739
142	144	188	Mahindra & Mahindra Fin Services	7,018.2	4,852	44.6	5,968	2,653
143	90	123	Thermax	6,855.8	8,767	-21.8	8,874	5,904
144	125	165	Emami	6,836.4	5,987	14.2	6,176	3,053
145	89	122	Ashok Leyland	6,808.2	8,811	-22.7	8,677	5,439
146	92	125	Jain Irrigation Systems	6,513.9	8,631	-24.5	8,354	5,569
147	80	108	Piramal Healthcare	6,495.2	10,500	-38.1	10,114	7,148
148	134	176	Gillette India❑	6,491.0	5,579	16.3	5,633	3,506
149	44•	183	Syndicate Bank	6,488.3	5,198	24.8	5,828	4,261
150	208	258	Sterling International Enterprises○○	6,403.9	4,215	51.9	5,139	2,954

TOTAL ASSETS (₹ cr) 2010/11	Rank	TOTAL INCOME (₹ cr) 2010/11	2009/10	Rank (2011)	NET PROFIT (₹ cr) 2010/11	2009/10	Rank (2011)	PROFIT AS % OF TOTAL INCOME 2010/11	RONW (%) 2010/11	ROCE (%) 2010/11	EPS (₹) 2010/11
45,691	53	4,306	3,295	155	577	350	119	13.41	19.28	37.60	13.69
10,138	134	6,952	5,964	87	1,066	837	70	15.33	24.37	23.67	23.04
7,459	159	13,265	10,747	52	620	404	109	4.67	25.21	20.45	10.2
13,450	112	3,981	2,441	171	886	847	85	22.25	15.55	14.79	4.56
59,007	41	4,719	2,951	144	727	478	99	15.41	21.13	42.43	22.41
53,238	45	5,060	3,650	136	974	662	77	19.26	25.79	10.16	21.47
10,589	127	6,797	5,083	90	380	283	154	5.59	7.55	9.22	33.28
2,311	352	1,358	967	383	436	344	143	32.07	25.85	28.12	34.02
2,502	337	2,549	2,117	233	300	233	173	11.78	32.18	48.79	77.28
161,762	17	13,188	11,581	53	1,503	1,135	48	11.40	18.02	73.15	49.46
18,381	92	852	728	513	165	252	264	19.38	3.86	4.65	0.75
121,718	23	10,751	9,141	66	1,714	1,555	44	15.94	23.52	86.37	40.79
4,189	233	2,819	2,173	216	523	436	129	18.54	40.87	61.74	16.4
151,291	19	12,465	10,327	58	1,423	1,206	50	11.42	21.04	68.95	31.37
9,601	143	6,568	5,772	96	408	435	148	6.22	9.05	10.17	13.64
5,933	181	5,212	5,304	132	-128	-71	983	-2.45	-5.72	-3.23	5.27
1,700	435	2,455	2,062	243	315	235	168	12.84	43.65	33.08	3.79
5,245	204	7,773	6,563	80	694	468	102	8.93	41.60	32.86	22.9
11,129	123	1,981	2,023	289	912	973	80	46.04	13.16	14.15	2.49
3,765	255	3,882	3,461	173	997	837	75	25.68	40.41	43.17	35.08
25,262	79	7,646	6,121	81	1,005	846	73	13.15	20.33	8.12	48.85
6,070	180	5,122	4,591	135	697	743	100	13.60	22.29	20.49	57.45
22,856	83	2,168	2,223	270	510	525	131	23.53	5.86	7.57	1.68
17,475	94	4,718	4,012	145	-186	-1,414	988	-3.93	-2.99	2.52	1.45
7,495	157	1,079	852	454	1,000	766	74	92.70	23.58	25.27	83.21
2,139	376	6	5	982	0.14	3	923	2.46	0.01	0.03	0
3,384	277	1,293	1,108	395	212	128	221	16.40	11.31	12.50	8.22
2,772	315	3,163	1,961	196	287	178	179	9.09	33.41	29.26	8.35
178,784	15	13,379	11,562	50	1,073	707	68	8.02	15.96	45.41	17.4
2,688	320	1,525	1,153	350	-190	-262	989	-12.44	-81.94	-5.09	-1.36
2,008	390	2,530	2,056	237	304	293	171	12.01	29.25	30.46	6.5
2,537	332	443	48	699	171	24	253	38.52	11.72	16.41	7.66
210,131	12	16,486	13,822	44	1,252	1,058	60	7.60	23.88	68.59	16.84
143,542	20	10,471	8,483	67	1,413	1,170	52	13.50	21.89	42.84	96.6
109,109	24	9,189	7,380	71	1,267	1,046	58	13.79	24.38	57.25	23.81
1,547	457	268	130	799	190	29	233	71.10	14.58	15.43	3.39
4,753	216	3,150	1,982	197	311	127	169	9.87	17.64	16.62	14.97
51,699	47	4,569	4,326	148	587	465	118	12.85	12.00	48.51	35.18
14,225	106	2,874	662	214	1,435	487	49	49.93	42.67	20.09	9.2
5,860	183	3,389	2,941	184	158	181	272	4.65	7.54	8.49	5.35
2,585	329	1,672	1,265	331	459	248	141	27.46	26.16	26.75	22.37
13,754	110	2,065	1,569	281	463	343	139	22.43	21.96	13.19	46.87
4,433	224	5,033	3,275	139	382	141	153	7.60	32.64	48.11	33.24
1,175	512	1,278	1,049	398	125	63	319	9.81	19.26	20.30	15.21
10,631	126	12,434	8,167	59	631	424	108	5.08	25.40	20.06	2.18
5,373	201	3,449	2,886	182	295	271	174	8.56	19.85	18.27	7.53
17,013	96	18,384	2,856	41	12,897	443	3	70.15	195.42	235.35	-180.16
1,288	497	1,109	891	447	86	137	416	7.77	14.71	22.88	26.44
156,539	18	12,427	11,341	60	1,048	813	72	8.43	17.64	49.75	19.63
978	576	4	4	984	0.49	0.27	914	11.67	0.10	0.14	0.02

* Ranks as published in last year's BT500; • Ranking in Top 50 PSU listing of 2010; ** Ranks after combining last year's lists of private companies and PSUs; Parameter ranks are for within the Top 1,000 companies. Ranks have been assigned based on multiple decimals; because of rounding off, some ranks may appear incorrect; Results are audited and standalone; NA: Not available; na: Not applicable; NL: Not listed on the bourses; NR: Not ranked last year; RONW: Return on net worth; ROCE: Return on capital employed; EPS: Earnings per share. All data for FY ended March 2011 unless otherwise indicated; ❑ 12 months ended June 2011; ❤❤ 12 months ended December 2010; >> 12 months ended June 2010

Source: CMIE Prowess

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BT 500 INDIA'S MOST VALUABLE COMPANIES—The Top 500

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JUBILANT FOODORKS NOTCHES UP HIGHER RANKING THANKS TO ITS MARKET CAP OUBLING IN VALUE

THIS ONE IS EVEN BETTER. MANAPPURAM FINANCE SHOWS 184 PER CENT GROWTH IN MARKET VALUE AND 148 PER CENT INCREASE IN TOP LINE

RANK 2011	RANK 2010*	RANK 2010**	COMPANY	AVERAGE MARKET CAPITALISATION (₹ crore) Apr-Sep 2011	Apr-Sep 2010	Growth %	2010/11	2009/10
151	64	88	Lanco Infratech	6,403.2	15,607	-59.0	14,403	10,319
152	NL	NL	Muthoot Finance	6,369.4	na	na	na	na
153	145	189	Apollo Hospitals Enterprise	6,365.9	4,804	32.5	5,408	3,480
154	136	179	Religare Enterprises	6,350.4	5,488	15.7	6,065	3,322
155	112	150	P&G Hygiene & Health Care ››	6,347.8	6,750	-6.0	6,326	4,377
156	129	169	Fortis Healthcare (India)	6,339.6	5,742	10.4	5,934	3,312
157	131	172	Godrej Industries	6,326.3	5,704	10.9	5,866	4,914
158	106	141	Shree Cement	6,241.8	7,032	-11.2	6,869	5,496
159	97	131	Tata Communications	6,127.0	8,107	-24.4	7,772	12,263
160	85	117	Housing Development & Infrastructure	6,065.6	9,662	-37.2	8,879	9,679
161	108	143	Tata Global Beverages	6,019.6	6,989	-13.9	6,897	5,301
162	109	145	Areva T&D India ▼▼	5,925.5	6,842	-13.4	6,939	6,943
163	100	135	Indian Hotels Co.	5,914.5	7,555	-21.7	7,227	5,576
164	NL	NL	MOIL	5,759.4	na	na	7,004	na
165	94	127	Pantaloon Retail (India) ››	5,730.3	8,430	-32.0	7,852	5,841
166	87	120	IRB Infrastructure Developers	5,682.1	9,142	-37.8	8,202	6,796
167	115	153	Videocon Industries ❀	5,657.4	6,552	-13.7	6,561	4,711
168	45*	190	UCO Bank	5,600.9	4,785	17.1	5,603	2,648
169	41*	170	Gujarat State Petronet	5,597.1	5,728	-2.3	5,908	4,245
170	139	182	Shree Global Tradefin ⊔⊔	5,279.3	5,210	1.3	4,986	6,568
171	NL	NL	Indraprastha Gas	5,271.6	3,821	38.0	4,136	2,303
172	156	202	Britannia Industries	5,254.2	4,492	17.0	4,574	3,901
173	121	160	Pipavav Defence & Offshore Engg. Co.	5,227.7	6,324	-17.3	5,872	3,744
174	167	216	Crisil ▼▼	5,227.6	4,083	28.0	4,170	2,909
175	246	296	Jubilant Foodworks	5,227.4	2,416	116.4	2,995	1,707
176	147	192	Torrent Pharmaceuticals	5,166.1	4,636	11.4	4,688	2,561
177	148	193	Opto Circuits (India)	5,156.6	4,619	11.6	4,806	3,292
178	170	220	Gujarat Gas Co. ▼▼	5,107.4	4,038	26.5	4,460	2,562
179	154	200	Indiabulls Financial Services	5,003.7	4,502	11.2	4,891	4,451
180	116	154	Voltas	4,969.6	6,535	-24.0	6,747	4,676
181	50*	218	Gujarat Mineral Devp. Corpn.	4,953.9	4,067	21.8	4,126	3,518
182	142	186	EIH	4,913.5	5,018	-2.1	4,799	4,876
183	161	207	Godrej Properties	4,895.5	4,344	12.7	4,414	3,450
184	137	180	Aurobindo Pharma	4,861.5	5,392	-9.8	6,104	3,684
185	NR	NR	Manappuram Finance	4,790.0	1,688	183.8	3,574	853
186	162	209	Aventis Pharma ▼▼	4,728.0	4,279	10.5	4,303	3,217
187	168	217	Havells India	4,727.5	4,076	16.0	4,374	2,163
188	36*	144	Shipping Corpn. of India	4,669.2	6,864	-32.0	6,513	5,722
189	197	247	3M India	4,668.6	3,253	43.5	3,644	1,810
190	164	211	Kansai Nerolac Paints	4,645.5	4,217	10.2	4,457	2,263
191	290	340	Gujarat Fluorochemicals	4,606.2	1,952	136.0	2,267	1,490
192	111	149	Patni Computer Systems ▼▼	4,605.1	6,757	-31.8	6,431	4,875
193	153	199	Sintex Industries	4,556.5	4,515	0.9	4,716	3,101
194	258	308	JSW Ispat Steel ŝ	4,549.1	2,316	96.4	3,017	2,513
195	43*	178	National Fertilizers	4,530.7	5,512	-17.8	5,492	3,393
196	172	222	ING Vysya Bank	4,483.0	3,942	13.7	4,129	2,691
197	173	223	Max India	4,471.9	3,911	14.3	3,725	4,455
198	46*	197	Rashtriya Chemicals & Fertilizers	4,388.8	4,566	-3.9	4,846	4,013
199	157	203	Shree Renuka Sugars ◆◆	4,359.9	4,483	-2.7	5,099	5,460
200	133	175	Jindal Saw	4,320.5	5,616	-23.1	5,605	3,620

TOTAL ASSETS (₹ cr) 2010-11	Rank	TOTAL INCOME (₹ cr) 2010/11	2009/10	Rank (2011)	NET PROFIT (₹ cr) 2010/11	2009/10	Rank (2011)	PROFIT AS % OF TOTAL INCOME	RONW (%)	ROCE (%)	EPS (₹)
								2010/11			
15,795	99	6,130	6,267	104	278	486	184	4.54	8.43	11.21	1.2
13,969	108	2,316	1,089	255	494	228	134	21.34	51.52	18.78	13.29
3,155	286	2,359	1,866	248	182	152	241	7.70	11.20	13.60	14.57
3,255	282	183	175	851	5	56	874	2.79	0.18	0.73	-0.89
1,108	534	986	852	483	180	179	242	18.24	36.89	47.94	46.48
3,573	267	448	254	693	142	30	292	31.63	6.18	6.13	3.33
2,158	373	1,319	1,034	390	133	81	306	10.12	12.78	11.43	4.25
4,946	210	4,122	4,158	162	210	676	223	5.09	10.98	8.72	20.44
11,433	120	3,807	3,987	176	163	483	269	4.27	2.28	3.82	3.59
16,182	98	1,924	1,600	299	897	597	82	46.65	10.71	13.05	20.9
4,067	236	1,978	2,103	291	183	393	239	9.24	8.94	10.80	5
4,919	212	4,284	3,745	157	187	192	236	4.36	20.00	19.67	8.62
6,912	167	1,774	1,610	315	141	153	293	7.96	4.77	6.90	1.87
2,466	339	1,291	1,102	396	588	466	117	45.56	30.90	46.25	27.85
5,132	205	6,417	6,674	101	180	141	243	2.80	7.14	11.15	3.8
3,298	280	373	79	737	90	56	399	24.15	6.48	5.49	3.36
22,914	82	14,719	9,489	48	739	474	97	5.02	8.88	10.31	21.96
163,890	16	12,300	10,500	61	907	1,012	81	7.37	20.70	71.93	14.96
4,514	222	1,092	1,024	450	506	414	132	46.38	28.37	26.81	9.27
1,107	535	354	311	752	1	0.08	899	0.35	0.56	0.25	-0.21
2,394	345	1,976	1,244	292	260	216	196	13.14	28.40	36.56	20.19
1,509	463	4,374	3,564	154	145	117	286	3.32	34.28	27.28	11.63
4,601	220	983	697	485	40	-51	654	4.06	2.35	4.96	0.86
541	731	607	468	610	196	150	230	32.26	50.53	64.27	28.96
332	858	777	481	539	72	33	462	9.27	46.58	56.24	12.36
2,514	335	1,815	1,474	310	291	207	177	16.02	29.47	25.66	36.3
2,070	384	640	472	598	244	147	205	38.21	25.43	18.06	13.09
2,130	378	1,897	1,464	303	259	175	197	13.64	33.16	48.02	23.97
22,291	84	2,122	1,487	275	609	262	113	28.68	14.83	9.53	20.32
3,843	249	5,302	4,649	128	354	344	160	6.67	31.19	45.22	8.08
3,658	259	1,464	1,113	357	375	280	155	25.61	24.63	35.27	13.42
3,851	247	1,176	907	421	65	57	497	5.49	3.65	8.48	1.51
2,168	370	444	321	698	106	122	363	23.92	12.49	13.87	12.99
5,859	184	4,287	3,440	156	594	526	114	13.85	26.49	19.17	23.64
7,773	154	1,184	478	417	283	120	180	23.87	22.30	14.75	4.13
1,424	482	1,407	1,167	371	231	157	212	16.40	24.04	33.85	76.77
2,176	367	3,198	2,593	194	242	228	206	7.57	19.55	23.90	19.68
12,992	114	4,036	3,917	166	567	377	121	14.06	8.40	6.96	2.85
758	651	1,248	1,143	404	99	93	379	7.92	20.17	30.09	85.03
1,471	471	2,542	1,996	234	206	166	224	8.10	24.39	30.82	39.95
2,927	301	1,135	1,079	437	264	334	194	23.22	16.10	17.57	32.04
3,836	250	2,107	1,853	277	655	543	105	31.08	21.23	23.32	40.5
5,477	199	2,779	2,200	218	358	274	158	12.87	17.64	12.80	13.5
14,080	107	11,780	9,675	63	-322	-688	994	-2.74	0.00	11.78	-6.17
3,423	274	5,874	5,165	112	139	172	298	2.36	8.51	9.98	2.54
39,047	55	3,377	2,860	186	319	242	166	9.44	13.65	34.78	22.94
3,014	293	526	392	653	-42	-1	962	-8.00	-1.84	1.07	-1.55
4,165	234	5,777	6,016	114	245	235	204	4.24	12.74	15.02	4.17
5,861	182	5,721	2,326	116	410	144	147	7.17	27.04	21.12	1.57
6,847	169	4,561	7,073	149	462	730	140	10.12	12.22	12.95	14.12

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BT 500 INDIA'S MOST VALUABLE COMPANIES—The Top 500

WHERE DOES A 537 PER CENT GROWTH IN MARKET CAP TAKE YOU? IN THE CASE OF INDIA SECURITIES, 379 RANKS UP THE BT500

THE SHOE NOW SEEMS TO BE THE RIGHT FIT. BATA INDIA'S MARKET CAP HAS NEARLY DOUBLED, CATAPULTING IT MORE THAN 130 RANKS UP THE BT500

SHOPPERS STOP'S BUSINESS IS STRONG AS EVER, WITH ITS REVENUES AND PROFITS GROWING 23 PER CENT AND 50 PER CENT, RESPECTIVELY

RANK 2011	RANK 2010*	RANK 2010**	COMPANY	AVERAGE MARKET CAPITALISATION (₹ crore) Apr-Sep 2011	Apr-Sep 2010	Growth %	2010/11	2009/10
201	152	198	DB Corpn.	4,319.9	4,529	-4.6	4,610	4,449
202	113	151	Indiabulls Real Estate ❑❑	4,298.0	6,673	-35.6	6,247	8,173
203	201	251	Karur Vysya Bank	4,284.7	3,195	34.1	3,628	1,834
204	127	167	Essar Ports ❑❑	4,238.1	5,791	-26.8	5,961	3,992
205	42•	173	HMT ❑❑	4,210.4	5,653	-25.5	5,360	5,146
206	310	360	Wockhardt	4,144.4	1,816	128.2	2,820	1,646
207	192	242	EID-Parry (India)	4,126.1	3,345	23.4	3,698	2,616
208	149	194	Great Eastern Shipping Co.	4,094.2	4,615	-11.3	4,716	4,037
209	538	588	India Securities ❑❑	4,068.7	639	537.1	838	132
210	NL	NL	Prestige Estates Projects	4,068.1	na	na	4,989	na
211	194	244	Pfizer ◆	4,061.1	3,304	22.9	3,365	2,532
212	118	157	KSK Energy Ventures	4,024.5	6,486	-37.9	5,725	6,933
213	128	168	IL&FS Transportation Networks	4,002.8	5,785	-30.8	5,523	5,364
214	NL	NL	Jammu & Kashmir Bank	3,996.2	3,788	5.5	3,809	2,618
215	189	239	Ipca Laboratories	3,973.5	3,503	13.4	3,700	1,981
216	230	280	Info Edge (India)	3,883.5	2,642	47.0	3,014	1,958
217	122	161	Financial Technologies (India)	3,789.6	6,315	-40.0	5,237	6,108
218	143	187	CESC	3,753.1	4,897	-23.4	4,617	4,368
219	160	206	Alstom Projects India	3,742.9	4,421	-15.3	4,435	3,393
220	226	276	Bombay Rayon Fashions	3,726.6	2,681	39.0	2,786	1,839
221	126	166	Indiabulls Power ❑❑	3,718.5	5,870	-36.6	5,573	6,563
222	225	275	Chambal Fertilisers & Chemicals	3,697.1	2,721	35.9	3,024	2,385
223	182	232	Jagran Prakashan	3,672.2	3,646	0.7	3,758	3,023
224	308	358	Bata India▼▼	3,639.0	1,837	98.1	2,032	1,112
225	183	233	HT Media	3,635.9	3,643	-0.2	3,571	2,793
226	174	224	Eicher Motors▼▼	3,593.2	2,538	41.6	2,862	1,229
227	138	181	Jet Airways (India)	3,591.5	5,226	-31.3	5,489	3,141
228	204	254	Redington (India)	3,524.9	3,115	13.2	3,116	1,991
229	253	303	Blue Dart Express▼▼	3,523.9	2,358	49.4	NA	1,334
230	NL	NL	State Bank of Travancore	3,504.1	3,437	1.9	3,708	2,532
231	185	235	Amtek Auto ○○	3,502.5	3,596	-2.6	3,238	2,469
232	130	171	Educomp Solutions	3,487.6	5,709	-38.9	5,333	6,724
233	227	277	Berger Paints India	3,474.0	2,679	29.7	2,960	1,708
234	163	210	Tata Teleservices (Maharashtra)	3,462.8	4,251	-18.5	3,929	5,604
235	187	237	Apollo Tyres	3,445.9	3,569	-3.5	3,439	2,218
236	190	240	Bayer Cropscience	3,411.5	3,388	0.7	3,476	1,633
237	NL	NL	State Bank of Bikaner & Jaipur	3,401.2	2,647	28.5	2,944	2,097
238	140	184	Welspun Corpn.	3,385.9	5,107	-33.7	4,620	4,406
239	207	257	Ruchi Soya Inds.	3,375.4	3,084	9.5	3,357	1,572
240	181	231	AIA Engineering	3,369.9	3,648	-7.6	3,659	2,662
241	231	281	SKF India▼▼	3,369.2	2,633	28.0	2,761	1,473
242	220	270	Akzo Nobel India	3,326.2	2,748	21.0	2,823	2,082
243	48•	214	IFCI	3,319.0	4,165	-20.3	4,344	3,593
244	238	288	Core Projects & Technologies	3,290.8	2,566	28.2	2,804	1,551
245	NL	NL	Chennai Petroleum Corpn.	3,268.8	3,889	-16.0	3,642	3,033
246	228	278	Astrazeneca Pharma India ×	3,263.6	2,655	22.9	2,800	1,979
247	305	355	Shoppers Stop	3,261.9	1,857	75.7	2,340	907
248	NL	NL	Vijaya Bank	3,260.6	2,876	13.4	3,440	1,948
249	105	140	GVK Power & Infrastructure	3,257.7	7,050	-53.8	6,408	6,716
250	304	354	UTV Software Communications	3,252.7	1,858	75.1	2,019	1,520

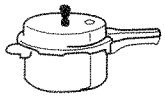
TOTAL ASSETS (₹ cr) 2010/11	Rank	TOTAL INCOME (₹ cr) 2010/11	2009/10	Rank (2011)	NET PROFIT (₹ cr) 2010/11	2009/10	Rank (2011)	PROFIT AS % OF TOTAL INCOME	RONW (%) 2010/11	ROCE (%) 2010/11	EPS (₹)
1,668	440	1,278	1,048	397	267	199	188	20.91	34.22	37.04	13.19
6,705	172	142	141	879	22	17	762	15.84	0.44	1.35	1.01
28,235	71	2,483	2,005	240	416	336	146	16.73	22.53	85.71	41.78
10,414	129	1,137	1,168	434	90	108	401	7.91	1.27	3.17	-1.68
1,539	459	253	227	811	-53	-71	970	-20.91	-7.31	0.96	-1.11
3,203	284	1,826	2,088	308	-132	-794	984	-7.23	0.00	2.78	18.46
2,098	382	1,477	1,336	353	85	206	419	5.75	7.60	6.67	6.61
9,753	139	1,662	2,250	332	266	396	191	16.04	4.90	4.77	19.88
413	813	15	55	971	7	4	868	45.26	3.41	3.83	-4.27
4,238	232	1,461	995	360	204	142	227	13.93	15.24	14.86	6.59
2,378	347	1,393	946	376	226	137	215	16.25	20.98	31.94	58.91
4,016	239	163	276	862	34	127	691	20.52	1.29	3.84	0.32
4,854	214	1,703	948	328	288	325	178	16.91	17.14	17.71	14.23
50,508	49	4,078	3,512	164	615	512	110	15.09	18.96	71.40	134.49
1,918	402	2,025	1,643	283	255	209	199	12.61	26.48	24.40	22.13
740	657	327	264	769	84	57	424	25.67	19.87	29.31	16.98
2,768	316	575	654	628	92	344	394	16.00	4.48	4.95	57.94
12,127	117	4,169	3,527	161	488	433	136	11.72	12.04	13.65	39.06
3,403	275	1,913	2,123	300	169	167	255	8.84	31.25	45.47	21.44
6,323	179	2,278	1,630	256	227	176	214	9.95	9.87	8.38	17.19
3,975	241	71	147	929	38	106	666	53.17	1.21	1.48	0.18
4,764	215	4,760	3,652	143	325	249	163	6.83	21.58	13.49	7.81
1,501	465	1,139	978	432	206	176	225	18.07	31.36	38.28	6.32
811	635	1,294	1,124	394	95	67	385	7.37	28.89	42.62	31.97
1,985	393	1,272	1,313	399	178	125	244	13.96	16.31	19.26	8.09
639	692	544	442	644	75	38	447	13.87	17.56	20.06	32.64
21,643	85	13,318	10,772	51	10	-468	846	0.07	1.16	7.37	-44.67
2,634	326	8,333	6,464	78	128	99	313	1.54	17.84	20.29	3.5
842	617	1,153	913	428	94	61	387	8.19	19.04	28.33	48.5
70,985	35	6,081	5,001	105	728	684	98	11.97	25.24	59.89	141.35
6,987	165	1,424	1,195	367	143	152	290	10.04	4.43	5.19	11.63
2,646	323	1,070	875	457	389	222	151	36.35	27.29	23.70	36.89
1,284	498	2,337	1,854	252	148	120	281	6.34	22.02	30.79	4.39
5,849	185	3,408	2,284	183	50	-298	590	1.46	0.00	13.16	-3.45
5,817	188	6,077	5,474	106	198	415	229	3.26	10.97	12.56	4.01
2,041	386	2,250	1,816	259	132	127	307	5.85	21.34	28.34	34.24
63,055	39	5,452	4,610	120	551	455	123	10.10	20.91	68.44	78.76
8,315	148	6,629	6,979	95	364	540	156	5.50	12.56	13.44	10.99
9,761	138	16,806	13,749	43	213	172	220	1.27	10.49	10.97	6.47
1,279	500	1,041	859	466	130	123	309	12.47	16.38	23.85	14.93
1,290	495	2,239	1,704	260	177	94	245	7.91	22.64	34.02	37.44
1,556	455	1,448	1,220	362	177	159	246	12.20	16.98	21.84	49.85
27,742	73	3,194	2,448	195	696	671	101	21.79	20.13	12.23	6.99
1,893	408	530	427	651	124	111	321	23.35	14.34	15.75	12.63
13,574	111	39,162	30,250	16	512	603	130	1.31	14.15	12.99	32.59
309	873	611	410	606	64	58	499	10.49	39.56	60.44	28.38
1,048	547	1,939	1,577	297	75	50	452	3.88	16.58	20.29	9.32
81,691	30	6,394	6,067	102	524	507	127	8.19	19.01	80.65	8.1
2,639	325	124	60	889	68	22	483	54.89	2.73	3.31	0.35
2,198	365	578	354	624	134	59	304	23.18	12.62	9.01	19.46

* Ranks as published in last year's BT500; *Ranking in Top 50 PSU listing of 2010; ** Ranks after combining last year's lists of private companies and PSUs; Parameter ranks are for within the Top 1,000 companies; Ranks have been assigned based on multiple decimals; because of rounding off, some ranks may appear incorrect; Results are audited and standalone; NA: Not available; na: Not applicable; NL: Not listed on the bourses; NR: Not ranked last year; RONW: Return on net worth; ROCE: Return on capital employed; EPS: Earnings per share; All data for FY ended March 2011 unless otherwise indicated; ▼▼ 12 months ended December 2010; ❑❑ 12 months ended March 2010; ● 15 months ended March 2011 ❍❍ 12 months ended June 2010; × 15 months ended March 2011

Source: CMIE Prowess

Check the performance of the BT500 companies over the past five years. Go to www.businesstoday.in/bt500-2011

BT 500 INDIA'S MOST VALUABLE COMPANIES—The Top 500



REVELLING IN PRESSURE JUST TOOK ON A NEW MEANING. TTK PRESTIGE'S 224 PER CENT GROWTH IN MARKET VALUE PUTS IT IN THE TOP 300

SOUTH INDIAN BANK'S 27 PER CENT GROWTH IN MAKRET VALUE IS DECENT, BUT NOT CLOSE TO ITS 92 PER CENT GROWTH LAST YEAR

S MOBILITY'S MARKET CAP RACES FOR THE SECOND YEAR RUNNING - 347 PER CENT THIS YEAR, 397 PER CENT LAST YEAR

RANK 2011	RANK 2010*	RANK 2010**	COMPANY	AVERAGE MARKET CAPITALISATION (₹ crore) Apr-Sep 2011	Apr-Sep 2010	Growth %	2010/11	2009/10
251	256	306	**CMC**	3,246.0	2,338	**38.8**	2,835	1,508
252	257	307	**Monnet Ispat & Energy** □□	3,223.5	2,317	**39.1**	2,792	1,559
253	NL	NL	**United Bank of India**	3,204.5	2,779	**15.3**	3,106	2,164
254	141	185	**BGR Energy Systems**	3,159.7	5,039	**-37.3**	4,818	2,957
255	171	221	**Era Infra Engg.**	3,113.3	3,985	**-21.9**	3,914	2,652
256	155	201	**Century Textiles & Inds.**	3,084.0	4,492	**-31.3**	4,153	4,135
257	NL	NL	**Orissa Minerals Development Co.**	3,063.4	1,860	**64.7**	3,040	NA
258	199	249	**Whirlpool of India**	3,062.0	3,238	**-5.4**	3,325	1,240
259	219	269	**Rajesh Exports**	3,037.0	2,795	**8.7**	3,155	1,720
260	165	212	**Mahindra Holidays & Resorts India**	3,028.2	4,208	**-28.0**	3,738	3,340
261	443	493	**TTK Prestige**	3,027.5	925	**227.4**	1,362	315
262	243	293	**Alfa Laval (India)** ▼▼	3,013.2	2,519	**19.6**	2,435	1,952
263	272	322	**Gujarat State Fertilizers & Chemicals**	3,012.1	2,151	**40.1**	2,460	1,362
264	135	177	**Jubilant Life Sciences**	3,001.2	5,517	**-45.6**	4,766	3,568
265	NL	NL	**Dena Bank**	2,999.4	2,738	**9.5**	3,000	1,838
266	264	314	**Rallis India**	2,996.6	2,253	**33.0**	2,441	1,066
267	200	250	**Phoenix Mills**	2,961.6	3,205	**-7.6**	3,141	2,264
268	198	248	**MRF** ◆◆	2,936.5	3,239	**-9.3**	3,190	2,033
269	NL	NL	**State Bank of Mysore**	2,921.5	2,854	**2.3**	3,116	2,214
270	236	286	**Sundaram Finance**	2,915.7	2,567	**13.6**	2,872	1,682
271	245	295	**McLeod Russel India**	2,847.5	2,456	**15.9**	2,459	2,025
272	266	316	**Kwality Dairy (India)** □□	2,825.1	2,222	**27.2**	2,234	1,477
273	295	345	**Godfrey Phillips India**	2,787.4	1,902	**46.5**	1,943	1,620
274	193	243	**Cox & Kings**	2,781.0	3,315	**-16.1**	3,331	2,763
275	242	292	**Shriram City Union Finance**	2,763.7	2,524	**9.5**	2,739	1,832
276	NL	NL	**Gujarat Pipavav Port** ▼▼	2,757.8	2,355	**17.1**	2,490	NA
277	86	119	**SKS Microfinance**	2,736.9	9,198	**-70.2**	6,252	NA
278	176	226	**Blue Star**	2,709.9	3,831	**-29.3**	3,724	2,965
279	49*	215	**Mahanagar Telephone Nigam**	2,684.5	4,089	**-34.3**	3,738	5,322
280	NL	NL	**Bank of Maharashtra**	2,665.4	2,653	**0.5**	2,747	1,857
281	299	349	**BASF India**	2,664.5	1,891	**40.9**	2,178	915
282	244	294	**Tata Investment Corpn.**	2,654.7	2,460	**7.9**	2,550	1,667
283	273	323	**Tube Investments of India**	2,632.7	2,149	**22.5**	2,387	1,103
284	212	262	**Birla Corporation**	2,631.6	2,885	**-8.8**	2,811	2,233
285	293	343	**Carborundum Universal**	2,622.7	1,916	**36.9**	2,094	1,329
286	217	267	**TVS Motor Co.**	2,615.9	2,786	**-6.1**	2,964	1,317
287	279	329	**South Indian Bank**	2,610.4	2,058	**26.9**	2,376	1,342
288	262	312	**Responsive Industries** □□	2,608.7	2,266	**15.1**	2,361	NA
289	282	332	**Novartis India**	2,589.4	2,012	**28.7**	2,031	1,556
290	221	271	**Maharashtra Seamless**	2,560.9	2,736	**-6.4**	2,690	2,117
291	195	245	**BF Utilities** ◆◆	2,558.1	3,301	**-22.5**	3,209	3,410
292	NL	NL	**Fertilisers & Chemicals, Travancore**	2,532.4	3,277	**-22.7**	3,188	1,805
293	374	424	**Gitanjali Gems**	2,530.4	1,291	**95.9**	1,647	943
294	278	328	**Rei Agro**	2,525.1	2,075	**21.7**	2,288	1,711
295	202	252	**Sobha Developers**	2,525.0	3,187	**-20.8**	3,092	2,090
296	186	236	**Edelweiss Financial Services**	2,491.2	3,586	**-30.5**	3,574	3,234
297	265	315	**BOC India** ▼▼	2,478.4	2,223	**11.5**	2,385	1,469
298	585	635	**S Mobility**	2,446.0	548	**346.7**	1,402	178
299	188	238	**India Cements**	2,434.1	3,516	**-30.8**	3,353	3,603
300	241	291	**Lakshmi Machine Works**	2,409.6	2,537	**-5.0**	2,728	1,640

TOTAL ASSETS (₹ cr) 2010/11	Rank	TOTAL INCOME (₹ cr) 2010/11	2009/10	Rank (2011)	NET PROFIT (₹ cr) 2010/11	2009/10	Rank (2011)	PROFIT AS % OF TOTAL INCOME	RONW (%)	ROCE (%)	EPS (₹)
								2010/11			
1,129	523	810	709	531	156	130	274	19.22	29.01	32.42	46.56
3,556	268	1,599	1,759	341	269	216	187	16.83	18.83	13.63	44.38
90,043	27	6,979	5,920	86	524	322	126	7.51	17.16	67.67	15.87
5,342	203	4,780	3,101	142	324	201	164	6.78	39.23	28.58	43.5
5,763	190	3,872	3,489	174	247	279	202	6.38	15.45	14.76	13.2
7,042	164	5,359	5,040	123	237	339	208	4.43	12.86	9.93	15.24
932	590	99	156	914	8	74	860	7.79	0.97	1.46	229
1,376	488	2,972	2,432	210	166	145	258	5.59	60.07	63.69	11.38
10,544	128	20,864	18,529	35	248	193	200	1.19	18.07	11.59	10
1,807	422	534	516	647	103	118	369	19.24	21.80	31.32	12.63
427	803	780	522	537	84	52	426	10.74	53.80	76.55	82.2
820	629	894	929	502	108	123	360	12.10	27.04	41.21	71.59
4,363	227	5,034	4,243	138	749	254	96	14.89	30.14	37.21	98.23
6,323	178	2,322	2,676	254	280	363	183	12.04	12.98	7.78	16.36
70,839	36	5,582	4,621	119	612	511	111	10.96	20.90	91.55	19.22
982	574	1,173	978	423	126	101	317	10.76	27.25	36.82	6.47
1,826	415	212	140	837	92	60	395	43.28	5.88	7.87	6.92
4,017	238	8,119	6,163	79	354	253	159	4.36	23.20	27.78	710.04
52,032	46	4,606	4,023	147	499	444	133	10.84	19.30	59.19	81.82
12,550	116	1,463	1,272	358	295	227	175	20.18	20.75	10.14	56.05
2,084	383	1,135	1,138	436	232	240	211	20.45	26.60	28.02	22.7
342	849	1,054	583	462	18	9	793	1.70	45.13	24.56	2.75
1,376	487	3,108	2,673	199	166	118	259	5.34	22.87	28.05	197.85
1,597	448	255	186	809	77	50	439	30.08	8.72	10.71	6.4
9,713	141	1,323	1,108	389	241	194	207	18.18	21.75	11.98	54.63
1,920	401	292	226	785	-55	-116	971	-18.74	-10.45	4.89	0.43
4,522	221	1,272	963	400	112	174	356	8.78	8.17	13.44	-28.85
2,880	306	2,923	2,591	213	155	211	276	5.30	29.10	31.81	14.19
28,356	69	3,995	5,546	169	-2,802	-2,611	999	-70.13	-34.82	-19.96	-51.25
76,464	33	6,159	5,460	103	330	440	162	5.36	13.39	69.90	6.21
1,746	430	3,263	1,478	191	118	97	343	3.61	12.85	16.32	26.56
1,649	444	249	234	814	199	194	228	79.91	12.53	14.85	33.92
2,525	333	3,353	2,573	189	170	81	254	5.06	18.76	18.98	8.53
3,726	258	2,538	2,514	235	320	557	165	12.60	16.69	18.07	40.71
950	586	1,044	811	465	124	58	320	11.90	26.11	25.22	13.33
2,925	303	6,860	4,818	88	195	88	231	2.84	21.21	17.71	4.44
32,820	64	2,647	2,195	228	293	234	176	11.05	19.26	114.81	2.8
506	751	582	456	622	38	27	662	6.55	21.38	17.19	1.83
909	600	812	704	526	147	116	284	18.06	22.63	33.50	47.46
2,870	307	1,979	1,744	290	342	285	161	17.26	20.20	27.94	45.09
229	913	17	20	966	-3	0.3	942	-20.23	-5.96	-0.27	-0.53
1,837	413	2,618	2,221	229	-49	-104	969	-1.89	-29.53	7.70	-0.75
5,480	198	5,139	3,402	134	225	142	216	4.37	10.49	8.75	28.3
6,801	170	3,731	3,703	177	282	157	181	7.57	17.75	12.99	3.26
3,806	252	1,468	1,123	355	182	137	240	12.43	10.24	8.92	18.25
5,083	206	449	251	692	59	35	528	13.09	4.46	9.40	0.85
2,349	350	1,062	860	460	94	53	390	8.82	8.63	9.05	10.58
968	581	992	1,049	481	78	71	436	7.88	19.19	23.51	2.78
8,247	149	4,018	4,269	168	65	351	495	1.62	1.84	3.80	4.73
1,822	417	2,143	1,382	272	166	105	260	7.75	18.94	27.56	155.04

Source: CMIE Prowess

* Ranks as published in last year's BT500; *Ranking in Top 50 PSU listing of 2010; ** Ranks after combining last year's lists of private companies and PSUs; Parameter ranks are for within the Top 1,000 companies; Ranks have been assigned based on multiple decimals; because of rounding off, some ranks may appear incorrect; Results are audited and standalone; na: Not available; NL: Not listed on the bourses; NR: Not ranked last year; RONW: Return on net worth; ROCE: Return on capital employed; EPS: Earnings per share; All data for FY ended March 2011 unless otherwise indicated; ▼● 12 months ended December 2010; ▲▲ 12 months ended March 2010; ◆◆ 12 months ended September 2010

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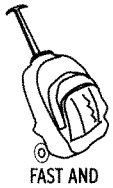
BT 500 INDIA'S MOST VALUABLE COMPANIES—The Top 500



FAST AND FURIOUS. VIP INDUSTRIES RISES FROM THE 700s IN 2009 TO 400s IN 2010 AND NOW INTO THE 300s THIS YEAR

AFTER FALLING OFF THE TOP 100 CLUB IN 2010, PUNJ LLOYD'S RANK SLIPS INTO THE 300s

THE IMPASSE OVER LAVASSA HITS HCC'S MARKET CAP HARD

RANK 2011	RANK 2010*	RANK 2010**	COMPANY	AVERAGE MARKET CAPITALISATION (₹ crore) Apr-Sep 2011	Apr-Sep 2010	Growth %	2010/11	2009/10
301	47●	208	**BEML**	2,408.8	4,311	**-44.1**	4,078	4,046
302	291	341	**Bajaj Finance**	2,391.3	1,946	**22.9**	2,237	848
303	214	264	**Prism Cement**	2,389.0	2,841	**-15.9**	2,778	1,415
304	247	297	**Dewan Housing Finance Corpn.**	2,378.5	2,407	**-1.2**	2,628	1,200
305	288	338	**Zydus Wellness**	2,346.1	1,953	**20.1**	2,108	734
306	NL	NL	**PTC India**	2,336.2	3,267	**-28.5**	3,273	2,778
307	351	401	**Supreme Industries** ❑	2,335.1	1,448	**61.2**	1,674	804
308	303	353	**Omaxe**	2,305.9	1,874	**23.1**	2,162	1,687
309	218	268	**Sterling Biotech** ▼▼	2,288.1	2,781	**-17.7**	2,780	2,783
310	249	299	**Bajaj Electricals**	2,287.0	2,378	**-3.8**	2,412	1,163
311	400	450	**Page Industries**	2,276.6	1,126	**102.2**	1,365	726
312	306	356	**Trent**	2,259.4	1,843	**22.6**	1,842	1,234
313	239	289	**Tulip Telecom**	2,248.3	2,554	**-12.0**	2,494	2,531
314	175	225	**Aban Offshore**	2,243.3	3,838	**-41.6**	3,478	4,566
315	211	261	**India Infoline**	2,237.5	2,924	**-23.5**	2,750	3,586
316	346	396	**Abbott India** ▲▲	2,229.6	1,486	**50.0**	1,606	866
317	251	301	**Honeywell Automation India** ▼▼	2,229.2	2,376	**-6.2**	2,230	1,583
318	419	469	**VIP Industries**	2,228.9	1,033	**115.8**	1,373	356
319	210	260	**Hindustan Oil Exploration Co.**	2,227.9	2,936	**-24.1**	2,839	2,951
320	191	241	**Gujarat NRE Coke**	2,222.0	3,358	**-33.8**	3,137	2,878
321	151	196	**Jai Corpn.**	2,212.5	4,581	**-51.7**	4,130	4,063
322	381	431	**Eclerx Services**	2,207.1	1,236	**78.6**	1,555	655
323	329	379	**Raymond**	2,185.8	1,660	**31.7**	1,895	1,111
324	237	287	**Madras Cements**	2,179.2	2,567	**-15.1**	2,530	2,582
325	158	204	**Punj Lloyd**	2,173.2	4,453	**-51.2**	3,878	6,599
326	166	213	**GTL Infrastructure** ❑❑	2,172.4	4,166	**-47.9**	4,066	3,526
327	318	368	**Greaves Cotton** ○	2,163.1	1,763	**22.7**	2,007	931
328	254	304	**TV18 Broadcast**	2,150.5	2,356	**-8.7**	2,357	1,887
329	179	229	**Anant Raj Inds.**	2,145.2	3,679	**-41.7**	3,441	3,652
330	309	359	**Wyeth** ◆	2,143.2	1,831	**17.1**	1,838	1,487
331	330	380	**Wabco India**	2,142.2	1,655	**29.4**	1,794	772
332	427	477	**SREI Infrastructure Finance**	2,126.9	991	**114.6**	1,172	800
333	407	457	**Hexaware Technologies** ▼▼	2,126.7	1,109	**91.7**	1,299	986
334	169	219	**GTL** ▲	2,114.5	4,054	**-47.8**	4,051	3,171
335	267	317	**Allcargo Logistics** ▼▼	2,104.7	2,220	**-5.2**	2,095	2,041
336	NL	NL	**Punjab & Sind Bank**	2,089.8	na	**na**	2,439	na
337	240	290	**Parsvnath Developers**	2,083.8	2,554	**-18.4**	2,396	2,040
338	271	321	**Karnataka Bank**	2,083.7	2,164	**-3.7**	2,150	1,555
339	159	205	**NCC**	2,082.4	4,452	**-53.2**	3,850	3,486
340	275	325	**Ballarpur Industries** ○○	2,080.0	2,116	**-1.7**	2,206	1,287
341	322	372	**Sadbhav Engineering**	2,046.5	1,748	**17.1**	1,710	1,082
342	466	516	**Arvind**	2,042.8	847	**141.3**	1,136	717
343	324	374	**Strides Arcolab** ▼▼	2,037.0	1,739	**17.1**	2,029	774
344	184	234	**Sterlite Technologies**	2,016.0	3,626	**-44.4**	3,055	1,737
345	518	568	**Delta Corpn.**	1,987.4	700	**183.8**	1,211	673
346	216	266	**Rolta India** ○○	1,984.9	2,790	**-28.9**	2,635	2,539
347	233	283	**HCL Infosystems** ○○	1,983.3	2,592	**-23.5**	2,464	2,588
348	234	284	**KEC International**	1,955.0	2,580	**-24.2**	2,449	2,379
349	320	370	**Clariant Chemicals (India)** ▼▼	1,946.8	1,753	**11.1**	1,822	918
350	177	227	**Hindustan Construction Co.**	1,939.7	3,780	**-48.7**	3,311	3,473

TOTAL ASSETS (₹ cr) 2010/11	Rank	TOTAL INCOME (₹ cr) 2010/11	2009/10	Rank (2011)	NET PROFIT (₹ cr) 2010/11	2009/10	Rank (2011)	PROFIT AS % OF TOTAL INCOME	RONW (%) 2010/11	ROCE (%) 2010/11	EPS (₹) 2010/11
4,308	230	3,038	3,118	203	150	223	278	4.93	7.17	8.63	33.64
8,859	145	1,469	963	354	247	89	201	16.82	19.68	11.75	79.35
3,335	278	3,600	3,015	180	97	253	383	2.70	8.16	10.72	0.53
16,691	97	1,488	995	352	265	151	192	17.82	21.92	10.00	26.7
343	848	344	274	756	59	45	523	17.31	49.06	73.57	15.43
2,953	298	8,940	7,734	74	139	94	297	1.55	6.48	9.26	5.11
1,465	474	2,706	2,188	223	175	145	248	6.47	40.46	35.00	13.77
3,746	257	1,165	830	425	63	91	506	5.36	4.43	11.21	3.07
6,648	174	1,628	1,511	338	146	237	285	8.98	6.47	7.89	7.75
1,779	424	2,778	2,261	219	144	117	288	5.18	26.46	37.02	13.4
340	850	519	353	657	59	40	530	11.29	52.56	46.95	65.04
1,652	443	769	622	543	43	40	628	5.60	5.06	6.06	19.63
3,268	281	2,354	1,990	250	308	231	170	13.10	28.77	18.27	22.4
5,666	195	1,267	1,364	401	234	280	210	18.46	12.07	12.93	32.46
2,517	334	800	698	533	122	152	326	15.30	11.14	16.35	3.79
866	609	1,080	830	453	61	78	518	5.64	21.12	32.19	34.1
925	593	1,387	1,201	378	105	133	366	7.57	21.61	29.39	137.5
467	777	759	628	546	62	50	509	8.17	33.22	28.65	23.95
2,229	359	385	183	730	80	42	432	20.86	7.06	7.38	5.1
3,940	243	1,713	1,499	325	103	52	370	5.99	7.09	9.33	2.29
2,863	308	590	480	620	92	61	392	15.68	3.44	4.36	5.16
350	844	366	262	743	119	73	339	32.39	54.71	62.19	43.25
2,902	304	1,631	1,534	337	-100	25	981	-6.14	-8.95	-0.95	-23.29
5,705	192	2,979	3,108	208	211	354	222	7.08	13.01	10.15	9.94
9,696	142	4,480	7,542	152	12	367	827	0.28	0.35	4.73	0.97
6,659	173	699	389	578	-3	3	939	-0.37	-0.17	2.65	-2.13
1,015	559	1,384	1,468	380	127	118	316	9.20	26.55	39.38	6.38
1,052	545	253	264	812	-49	-82	968	-19.48	-9.16	-1.78	-0.18
4,683	217	417	358	712	167	237	256	40.14	4.69	6.11	4.39
501	755	676	305	587	165	59	262	24.45	49.91	70.83	61.23
518	745	984	660	484	127	78	314	12.94	38.79	57.61	70.43
8,141	151	746	470	555	134	111	303	18.00	8.03	10.13	2.45
1,095	536	547	521	641	93	124	391	16.96	11.34	12.59	4.6
6,871	168	3,358	1,679	188	142	158	291	4.23	11.72	13.15	11.69
1,491	466	730	532	563	121	98	330	16.58	13.68	14.87	8.68
68,550	37	5,357	4,358	124	526	509	125	9.82	22.02	70.40	19.68
5,823	187	752	841	552	75	134	446	10.04	3.16	7.08	1.96
31,693	66	2,663	2,373	226	205	167	226	7.68	9.89	67.41	10.07
7,122	163	5,177	4,896	133	163	233	266	3.16	7.07	11.41	5.66
3,151	287	1,128	1,110	441	58	125	531	5.17	3.89	5.49	0.46
1,990	392	2,232	1,276	261	120	54	336	5.36	23.51	24.08	8.3
4,326	229	2,749	2,388	221	135	52	302	4.90	9.50	9.44	4.9
3,019	291	719	874	567	74	106	458	10.23	6.44	7.62	10.91
2,654	322	2,333	2,518	253	141	246	294	6.02	14.40	14.81	2.2
715	661	275	60	793	129	14	312	46.80	30.70	26.02	5.07
3,390	276	1,200	1,024	413	361	372	157	30.04	20.53	15.46	30.71
5,354	202	12,121	12,371	62	262	260	195	2.16	17.12	21.42	7.95
3,942	242	4,066	3,961	165	147	171	283	3.62	18.03	20.02	6.05
682	672	1,076	1,013	455	112	108	353	10.45	31.45	46.38	24.01
7,949	153	3,985	3,474	170	71	81	468	1.78	4.67	9.69	0.8

*Ranks as published in last year's BT500; #Ranking in Top 50 PSU listing of 2010; **Ranks after combining last year's lists of private companies and PSUs; Parameter ranks are for within the Top 1,000 companies; Ranks have been assigned based on multiple decimals; because of rounding off, some ranks may appear incorrect; Results are audited and standalone; NA: Not available; NL: Not listed on the bourses; NR: Not ranked last year; RONW: Return on net worth; ROCE: Return on capital employed; EPS: Earnings per share; All data for FY ended March 2011 unless otherwise indicated; ▲ 15 months ended June 2011; ❑ 12 months ended June 2011; ▲▲ 13 months ended December 2010; ▼▼ 12 months ended December 2010; ❑❑ 12 months ended March 2010; ○ 9 months ended March 2011; ◆ 16 months ended March 2011

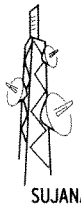
Source: CMIE Prowess

Check the performance of the BT500 companies over the past five years. Go to www.businesstoday.in/bt500-2011

BT 500 INDIA'S MOST VALUABLE COMPANIES—The Top 500

AFTER ITS PROMOTERS WERE ARRESTED IN THE 2G SCAM, DB REALTY'S MARKET CAP AND RANK PLUMMET

SHRI GANESH SPINNERS SHOWS BIG JUMP IN MARKET CAP - FROM ₹14 CRORE IN 2009 TO ₹548 CRORE IN FY'2011



SUJANA TOWERS JOINS THE 400 CLUB, THANKS TO 214 PER CENT GROWTH IN MARKET CAP THIS YEAR

RANK 2011	RANK 2010*	RANK 2010**	COMPANY	AVERAGE MARKET CAPITALISATION (₹ crore) Apr-Sep 2011	Apr-Sep 2010	Growth %	2010/11	2009/10
351	355	405	Cholamandalam Invstmnt & Finance Co	1,921.5	1,419	35.4	1,750	418
352	411	461	FAG Bearings India ▼▼	1,915.3	1,094	75.1	1,246	789
353	375	425	ABG Shipyard	1,901.4	1,281	48.4	1,599	1,081
354	277	327	Zuari Industries	1,898.6	2,076	-8.5	2,050	1,079
355	NL	NL	Kirloskar Oil Engines	1,897.8	na	na	2,481	na
356	178	228	Sunteck Realty	1,897.4	3,965	-52.2	3,621	2,910
357	81	110	DB Realty	1,889.6	10,114	-81.3	7,937	11,036
358	209	259	Kalpataru Power Transmission	1,889.4	3,054	-38.1	2,700	2,250
359	349	399	SRF	1,876.3	1,462	28.3	1,764	951
360	339	389	Amara Raja Batteries	1,857.4	1,568	18.5	1,569	1,083
361	343	393	City Union Bank	1,849.4	1,522	21.5	1,691	880
362	336	386	Alok Industries	1,841.4	1,592	15.7	1,774	1,295
363	259	309	Fresenius Kabi Oncology	1,833.0	2,300	-20.3	2,024	1,279
364	252	302	Puravankara Projects	1,827.5	2,360	-22.6	2,371	2,038
365	359	409	Kingfisher Airlines	1,816.4	1,384	31.3	1,493	1,368
366	283	333	JSL Stainless	1,814.2	2,003	-9.4	1,962	1,475
367	706	756	Shri Ganesh Spinners ❑❑	1,811.7	379	378.1	548	97
368	285	335	Hindusthan National Glass & Inds.	1,781.1	1,973	-9.7	2,062	1,305
369	325	375	FDC	1,771.3	1,719	3.0	1,819	996
370	389	439	Orchid Chemicals & Pharmaceuticals	1,763.2	1,206	46.2	1,628	999
371	292	342	Sun Pharma Advanced Research Co.	1,758.5	1,929	-8.9	1,850	1,600
372	NL	NL	A2Z Maintenance & Engg. Services	1,755.1	na	na	2,074	na
373	315	365	Radico Khaitan	1,750.7	1,776	-1.4	1,905	1,040
374	458	508	Sanwaria Agro Oils ❑❑	1,747.3	870	100.8	1,723	1,018
375	206	256	Nava Bharat Ventures	1,730.2	3,097	-44.1	2,728	2,590
376	287	337	Himadri Chemicals & Inds.	1,720.1	1,960	-12.2	1,847	1,065
377	323	373	Graphite India	1,718.1	1,744	-1.5	1,787	1,035
378	229	279	JM Financial	1,717.7	2,654	-35.3	2,494	3,024
379	NR	NR	Chettinad Cement Corpn.	1,706.7	NA	na	1,874	1,339
380	NL	NL	Electrosteel Steels	1,697.8	na	na	1,927	na
381	317	367	Polaris Software Lab	1,694.7	1,765	-4.0	1,742	1,348
382	321	371	Network 18 Media & Invst.	1,693.9	1,751	-3.3	1,737	973
383	150	195	IVRCL	1,689.1	4,590	-63.2	3,815	4,336
384	274	324	Bajaj Corp	1,675.1	2,144	-21.9	1,697	NA
385	NL	NL	Eros International Media	1,666.7	na	na	1,465	na
386	313	363	Jyothy Laboratories	1,647.2	1,790	-8.0	1,929	947
387	NL	NL	Vaarad Ventures ❑❑	1,623.3	1,117	45.3	1,092	315
388	467	517	VST Industries	1,622.6	846	91.8	903	669
389	314	364	S Kumars Nationwide	1,609.8	1,785	-9.8	1,870	1,013
390	261	311	Bajaj Hindusthan ◆◆	1,602.3	2,280	-29.7	2,199	3,064
391	604	654	Sujana Towers ▼	1,602.1	510	213.9	1,013	212
392	196	246	Deccan Chronicle Holdings	1,576.9	3,295	-52.1	2,898	2,897
393	297	347	Hotel Leelaventure	1,569.3	1,894	-17.1	1,819	1,410
394	473	523	Tata Coffee	1,566.0	832	88.2	995	552
395	307	357	MVL ▼▼	1,559.3	1,837	-15.1	1,733	1,139
396	406	456	Gruh Finance	1,546.6	1,115	38.7	1,228	660
397	302	352	Glodyne Technoserve	1,542.0	1,878	-17.9	1,992	829
398	286	336	Infotech Enterprises	1,542.0	1,966	-21.6	1,883	1,378
399	NL	NL	Ramky Infrastructure	1,535.4	na	na	1,803	na
400	312	362	Gujarat Narmada Valley Fertilizers Co.	1,534.0	1,801	-14.8	1,798	1,495

TOTAL ASSETS (₹ cr) 2010/11	Rank	TOTAL INCOME (₹ cr) 2010/11	2009/10	Rank (2011)	NET PROFIT (₹ cr) 2010/11	2009/10	Rank (2011)	PROFIT AS % OF TOTAL INCOME	RONW (%)	ROCE (%)	EPS (₹)
								2010/11			
9,778	137	1,432	1,269	365	62	15	508	4.34	8.12	8.51	8.91
782	644	1,138	875	433	122	66	328	10.68	23.58	35.43	93.49
7,567	156	2,104	1,923	278	189	229	234	8.97	16.30	11.60	28.13
3,014	292	5,604	4,381	118	167	157	257	2.98	14.58	12.83	58.26
2,225	360	2,616	2,405	230	174	164	249	6.64	22.13	23.83	11.99
404	815	16	18	969	6	7	870	39.64	1.79	2.34	1.17
3,595	263	361	285	745	256	227	198	70.80	7.93	8.55	10.73
3,487	272	3,005	2,739	206	191	171	232	6.34	14.78	18.79	12.21
3,253	283	3,387	2,412	185	483	309	137	14.27	34.59	32.61	86.18
1,114	529	2,089	1,715	280	148	167	282	7.09	24.90	32.30	17.75
14,592	101	1,379	1,100	382	215	153	219	15.59	23.47	104.98	5.64
14,297	103	6,756	4,599	92	404	247	149	5.99	13.91	12.38	4.93
1,065	542	457	439	689	49	80	596	10.76	9.53	10.48	2.42
2,848	310	422	508	708	84	137	425	19.87	5.78	5.72	3.28
8,632	146	6,500	5,362	98	-1,027	-1,744	998	-15.81	0.00	-10.49	-20.33
14,275	104	7,448	6,387	84	318	378	167	4.27	15.47	8.07	16.29
146	950	1	5	994	0.24	0.01	919	20.51	0.32	0.40	0.01
2,168	369	1,737	1,524	323	87	155	414	4.99	8.60	9.85	9.29
767	648	739	663	560	149	149	280	20.13	26.22	30.23	8.04
4,049	237	1,770	2,301	317	159	331	270	9.01	14.97	10.28	20.25
94	968	60	35	941	-9	-22	945	-14.26	-86.03	-58.71	-1.02
1,858	411	1,118	1,130	443	85	95	418	7.64	10.92	17.17	4.56
1,371	489	1,752	1,500	322	69	42	478	3.96	11.31	11.88	5.84
521	743	810	815	532	39	40	656	4.88	32.19	20.92	1.23
2,356	349	1,144	1,299	430	304	499	172	26.55	17.67	15.31	23.98
1,863	410	799	543	534	114	107	348	14.32	14.46	11.71	3.29
2,064	385	1,314	1,209	392	172	232	251	13.11	13.32	16.82	9.6
1,784	423	44	96	946	10	47	839	22.76	0.61	0.60	0.11
2,311	353	1,821	1,553	309	75	108	453	4.13	8.40	9.18	32.66
6,405	176	8	NA	977	-6	Na	943	-72.89	-0.33	-0.09	-0.15
1,221	507	1,449	1,161	361	187	131	235	12.91	22.04	25.47	18.82
1,568	453	69	57	931	-69	-45	975	-99.94	-7.53	0.53	-5.84
7,366	161	5,716	5,579	117	158	70	271	2.77	8.25	12.39	5.02
459	781	377	300	734	84	84	423	22.31	41.85	52.35	7.37
1,111	532	490	552	676	70	52	475	14.20	19.29	21.63	8.03
843	616	693	651	583	80	80	431	11.58	15.27	17.23	7.47
75	971	112	23	899	10	5	842	8.84	42.58	40.61	0.04
650	689	1,421	1,159	368	95	62	386	6.69	37.71	54.25	72.02
4,672	218	2,762	2,160	220	173	106	250	6.25	14.16	12.99	6.43
11,105	124	3,240	1,995	193	52	155	572	1.60	1.91	5.85	1.69
1,660	442	1,753	701	321	79	32	435	4.48	11.56	17.01	1.38
2,174	368	1,032	923	469	163	261	268	15.76	12.81	18.31	3.99
6,341	177	553	481	638	38	41	665	6.84	4.41	2.66	0.05
665	679	440	378	701	55	32	551	12.53	14.44	15.16	34.82
536	735	194	178	848	19	20	785	9.78	14.69	14.91	0.3
3,523	270	360	309	746	92	69	397	25.39	31.42	11.03	23.09
763	650	993	716	480	144	97	287	14.52	35.62	41.57	40.56
1,144	521	680	608	585	118	127	342	17.34	13.77	15.35	9.91
3,201	285	2,744	1,868	222	157	103	273	5.73	23.93	21.82	28.66
5,499	197	3,129	2,799	198	267	124	190	8.52	12.21	13.30	21.29

* Ranks as published in last year's BT500; ** Ranks after combining last year's lists of private companies and PSUs; Parameter ranks are for within the Top 1,000 companies; Ranks have been assigned based on multiple decimals; because of rounding off, some ranks may appear incorrect; Results are audited and standalone; NA: Not available; na: Not applicable; NL: Not listed on the bourses; NR: Not ranked last year; RONW: Return on net worth; ROCE: Return on capital employed; EPS: Earnings per share; All data for FY ended March 2011 unless otherwise indicated; * 18 months ended March 2011; ** 12 months ended December 2010; ‡‡ 12 months ended March 2010 ◆◆ 12 months ended September 2010

Source: CMIE Prowess

Check the performance of the BT 500 companies over the past five years. Go to www.businesstoday.in/bt500-2011

BT 500 INDIA'S MOST VALUABLE COMPANIES—The Top 500

HFCL POSTS A ₹40 CRORE PROFIT AFTER A THREE-DIGIT LOSS LAST YEAR, AND ITS MARKET VALUE GROWS NEARLY THREE-FOLD

AP PAPER MILLS' MARKET CAP CONTINUES TO GROW - 230 PER CENT THIS YEAR AS COMPARED TO 156 PER CENT IN 2010

KGN INDUSTRIES' 81 PER CENT DECLINE IN MARKET VALUE BRINGS DOWN THE COMPANY'S RANK TO 439

RANK 2011	RANK 2010*	RANK 2010**	COMPANY	AVERAGE MARKET CAPITALISATION (₹ crore) Apr-Sep 2011	Apr-Sep 2010	Growth %	2010/11	2009/10
401	595	645	Himachal Futuristic Communications #	1,533.7	523	193.2	558	537
402	344	394	Monsanto India	1,531.4	1,517	0.9	1,533	1,403
403	270	320	Balrampur Chini Mills ▼	1,522.8	2,168	-29.8	2,117	2,898
404	382	432	Ingersoll-Rand (India)	1,522.7	1,235	23.3	1,328	1,002
405	215	265	Hathway Cable & Datacom	1,516.7	2,839	-46.6	2,518	2,983
406	377	427	Navneet Publications (India)	1,516.1	1,268	19.6	1,350	883
407	232	282	Usha Martin	1,512.9	2,613	-42.1	2,378	1,723
408	388	438	Balkrishna Industries	1,512.1	1,206	25.4	1,261	758
409	248	298	Motilal Oswal Financial Services	1,484.4	2,387	-37.8	2,348	2,189
410	385	435	Deepak Fert & Petrochemicals Corpn.	1,480.8	1,220	21.3	1,353	807
411	364	414	Century Plyboards (India)	1,480.0	1,356	9.2	1,366	932
412	444	494	Kennametal India ○○	1,471.3	924	59.2	1,045	498
413	268	318	MindTree	1,470.5	2,184	-32.7	2,048	2,045
414	412	462	KPIT Cummins Infosystems	1,465.1	1,088	34.7	1,167	643
415	NL	NL	Texmaco Rail & Engg.	1,458.4	na	na	1,214	na
416	180	230	Ackruti City	1,448.1	3,660	-60.4	2,987	3,590
417	335	385	Unichem Laboratories	1,447.3	1,602	-9.7	1,782	939
418	300	350	Mahindra Lifespace Developers	1,443.0	1,891	-23.7	1,748	1,309
419	289	339	Peninsula Land	1,442.5	1,952	-26.1	1,820	2,016
420	332	382	Vardhman Textiles	1,436.1	1,639	-12.4	1,749	939
421	250	300	Simplex Infrastructures	1,434.2	2,376	-39.6	2,174	2,087
422	657	707	Andhra Pradesh Paper Mills	1,432.3	433	230.4	514	206
423	269	319	Bombay Dyeing & Mfg. Co.	1,428.6	2,171	-34.2	2,014	1,488
424	326	376	Persistent Systems	1,427.4	1,709	-16.5	1,662	NA
425	393	443	Jindal Poly Films	1,411.9	1,183	19.4	1,746	754
426	491	541	Federal-Mogul Goetze (India) ▼▼	1,411.4	750	88.2	848	566
427	NL	NL	Future Ventures India	1,410.5	na	na	na	na
428	NL	NL	Ashoka Buildcon	1,393.6	na	na	1,509	na
429	345	395	Praj Industries	1,390.5	1,502	-7.4	1,430	1,682
430	NL	NL	Tecpro Systems	1,389.8	na	na	1,735	na
431	379	429	Gateway Distriparks	1,365.1	1,244	9.7	1,223	1,190
432	NL	NL	C Mahendra Exports	1,363.7	na	na	1,209	na
433	281	331	Spicejet	1,363.5	2,018	-32.4	2,363	861
434	468	518	Amtek India ○○	1,362.1	839	62.4	895	573
435	461	511	Uflex	1,354.7	862	57.1	1,141	571
436	413	463	Time Technoplast	1,350.4	1,084	24.5	1,128	861
437	425	475	Prraneta Industries ⊘	1,348.5	1,003	34.5	1,273	336
438	457	507	Timken India ▼▼	1,348.5	883	52.7	992	663
439	110	146	KGN Industries ▭	1,319.9	6,802	-80.6	5,561	3,904
440	390	440	Asahi India Glass	1,314.6	1,192	10.3	1,361	939
441	403	453	Grindwell Norton	1,314.4	1,120	17.3	1,179	676
442	NL	NL	Techno Electric & Engg. Co.	1,303.7	na	na	1,621	na
443	386	436	Asian Star Co.	1,286.0	1,217	5.7	1,154	1,335
444	222	272	Gammon India	1,283.6	2,730	-53.0	2,410	1,994
445	408	458	Sundram Fasteners	1,265.7	1,107	14.3	1,172	858
446	439	489	Elgi Equipments	1,258.2	930	35.2	1,158	422
447	NL	NL	VA Tech Wabag	1,256.1	na	na	1,549	na
448	459	509	Shree Ganesh Jewellery House	1,244.4	869	43.3	990	NA
449	NL	NL	State Trading Corpn. of India	1,242.4	2,518	-50.7	2,203	2,114
450	NL	NL	Dalmia Bharat Enterprises	1,240.1	na	na	1,431	na

TOTAL ASSETS (₹ cr) 2010/11	Rank	TOTAL INCOME (₹ cr) 2010/11	2009/10	Rank (2011)	NET PROFIT (₹ cr) 2010/11	2009/10	Rank (2011)	PROFIT AS % OF TOTAL INCOME 2010/11	RONW (%) 2010/11	ROCE (%) 2010/11	EPS (₹) 2010/11
1,769	426	455	534	690	40	-513	647	8.84	17.85	6.77	-2.39
548	727	382	433	732	43	54	629	11.21	11.80	13.22	34.79
3,988	240	3,094	1,803	201	165	227	263	5.34	12.81	11.37	1.55
963	583	576	436	626	69	47	480	11.92	8.62	12.78	22.57
1,413	484	520	453	656	-40	-84	961	-7.75	-4.66	-0.71	-1.5
450	789	556	529	634	78	68	437	13.95	24.23	32.04	3.56
5,008	208	2,789	2,044	217	100	92	377	3.57	6.52	11.71	2.52
2,099	380	2,035	1,431	282	186	209	238	9.13	24.88	23.06	20.42
590	710	65	64	935	43	42	630	65.63	8.65	10.95	3.19
2,242	358	1,709	1,439	326	187	172	237	10.92	18.69	17.49	22.87
660	681	1,098	852	449	75	81	447	6.87	30.02	19.02	3.41
383	823	406	343	723	52	28	569	12.81	18.02	26.59	40.29
1,016	558	1,556	1,315	347	123	208	324	7.91	17.31	21.21	33.47
803	640	545	435	643	69	78	476	12.75	14.32	13.86	9.29
879	606	1,002	0.02	476	121	-0.09	329	12.12	56.55	68.60	7.03
3,520	271	591	589	619	171	174	252	29.02	11.22	15.11	19.3
921	595	778	706	538	109	134	359	13.94	16.84	21.17	10.07
1,441	478	507	350	666	103	79	367	20.34	10.43	14.43	25.87
2,612	327	611	845	607	246	291	203	40.22	17.62	18.22	8.7
5,715	191	3,716	2,858	178	446	216	142	12.00	26.43	15.98	54.66
4,965	209	4,793	4,476	141	123	123	323	2.57	12.04	12.63	22.45
1,208	510	828	680	523	45	54	618	5.43	8.31	9.40	10.28
2,832	311	2,138	1,985	273	21	18	775	1.00	7.64	10.52	2.89
946	588	645	516	596	134	117	305	20.70	19.27	20.56	32.33
3,010	294	2,997	1,809	207	593	208	115	19.78	43.61	48.43	122.29
747	656	1,025	840	471	34	46	685	3.35	9.63	12.90	5.69
840	621	14	26	972	-1	17	934	-4.88	-0.10	-0.01	0.02
1,619	447	1,133	1,022	438	85	76	421	7.48	15.72	16.74	17.11
980	575	606	675	611	53	114	560	8.83	9.80	10.99	3.46
2,711	318	2,009	1,501	285	136	110	300	6.78	26.81	26.78	27.77
787	643	192	167	849	85	77	420	44.25	12.59	12.57	7.76
1,898	406	1,854	1,566	305	57	21	539	3.09	13.36	8.66	0.95
1,110	533	2,963	2,244	211	101	61	373	3.41	0.00	51.98	-1.01
3,846	248	1,029	799	470	76	54	441	7.42	4.92	6.60	8.99
2,792	314	2,526	1,786	238	282	90	182	11.16	27.68	25.74	39.05
1,088	538	889	706	503	92	68	393	10.37	17.48	16.95	4.38
11	998	4	7	985	0	0	928	0.00	0.00	0.25	0.14
656	687	518	355	659	51	33	580	9.85	14.38	20.40	10.06
62	977	64	82	937	1	1	903	1.61	1.71	2.14	0.04
2,150	375	1,650	1,364	335	15	1	812	0.92	7.17	8.97	0.7
857	612	865	777	508	86	88	417	9.90	22.73	33.44	16.03
1,039	552	710	721	574	101	114	375	14.22	24.37	23.39	17.24
1,113	530	1,463	1,355	359	25	28	747	1.73	7.11	6.22	26.93
6,974	166	5,997	4,762	107	118	126	340	1.98	6.62	11.71	9.05
1,692	436	1,953	1,438	296	105	75	365	5.40	20.37	14.32	5.61
599	707	839	621	519	81	55	429	9.70	29.71	45.04	5.01
970	580	745	708	556	55	41	548	7.42	16.93	26.01	24.33
2,450	340	5,308	3,002	127	264	166	193	4.97	32.77	29.33	44.38
7,467	158	20,753	22,316	36	56	107	545	0.27	8.53	9.77	6.62
536	733	241	0.23	818	21	0.1	773	8.90	8.65	11.54	2.87

* Ranks as published in last year's BT500; ** Ranks after combining last year's lists of private companies and PSUs; Parameter ranks are for within the top 1,000 companies; Ranks have been assigned based on multiple decimals; because of rounding off, some ranks may appear incorrect. Results are audited and standalone; NA: Not available; na: Not applicable; NL: Not listed on the bourses; NR: Not ranked last year; RONW: Return on net worth; ROCE: Return on capital employed; EPS: Earnings per share; All data for FY ended March 2011 unless otherwise indicated; ▼ 18 months ended March 2011; ▼▼ 12 months ended March 2010; ◇ 12 months ended December 2010; ◇◇ 12 months ended March 2008; # 6 months ended March 2011

Source: CMIE Prowess

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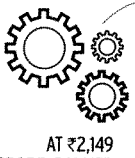
BT 500 INDIA'S MOST VALUABLE COMPANIES—The Top 500

ELANTAS BECK HAS SEEN ITS MARKET VALUE NEARLY TRIPLE

ESCORTS' MARKET VALUE SHRINKS 41 PER CENT THIS YEAR COMPARED TO A 229 PER CENT GROWTH IN 2010



AT ₹2,149 CRORE, BALMER LAWRIE'S INCOME IS NEARLY 2.2 TIMES ITS MARKET VALUE OF ₹990 CRORE

RANK 2011	RANK 2010*	RANK 2010**	COMPANY	AVERAGE MARKET CAPITALISATION (₹ crore) Apr-Sep 2011	Apr-Sep 2010	Growth %	2010/11	2009/10
451	615	665	Elantas Beck India▼▼	1,237.0	499	147.9	581	290
452	NL	NL	Gujarat Industries Power Co.	1,232.5	1,746	-29.4	1,637	1,489
453	350	400	Uttam Galva Steels	1,230.3	1,480	-16.9	1,528	1,062
454	276	326	Kirloskar Brothers	1,229.6	2,114	-41.8	1,779	NA
455	399	449	Gokul Refoils & Solvent	1,218.2	1,127	8.1	1,195	702
456	369	419	Plethico Pharmaceuticals▼▼	1,214.9	1,319	-7.9	1,295	914
457	417	467	Entertainment Network (India)	1,201.5	1,047	14.8	1,056	935
458	562	612	HSIL	1,184.1	585	102.5	725	316
459	404	454	Rain Commodities▼▼	1,177.0	1,119	5.2	1,151	1,207
460	301	351	Gammon Infrastructure Projects	1,169.0	1,881	-37.9	1,701	1,537
461	298	348	Indian Metals & Ferro Alloys	1,166.1	1,893	-38.4	1,795	921
462	416	466	NIIT Technologies	1,149.8	1,068	7.6	1,126	777
463	296	346	Onmobile Global	1,149.3	1,900	-39.5	1,764	2,510
464	489	539	Solar Industries India	1,146.7	754	52.1	870	613
465	354	404	Ess Dee Aluminium	1,142.9	1,422	-19.6	1,429	908
466	405	455	Orient Paper & Inds.	1,123.5	1,118	0.5	1,080	918
467	294	344	Escorts ◆◆	1,120.3	1,910	-41.3	1,855	879
468	475	525	Magma Fincorp	1,119.8	829	35.1	861	389
469	450	500	JBF Industries	1,110.5	911	22.0	1,100	545
470	224	274	Triveni Engineering & Inds. ◆◆	1,110.3	2,725	-59.3	2,719	2,656
471	484	534	JB Chemicals & Pharmaceuticals	1,103.2	781	41.3	920	437
472	NL	NL	IL&FS Engg. & Construction Co.	1,101.0	1,331	-17.3	1,376	713
473	436	486	Development Credit Bank	1,100.5	934	17.8	1,016	657
474	638	688	PI Industries	1,087.8	464	134.2	523	NA
475	352	402	Jai Balaji Inds.	1,086.4	1,446	-24.9	1,471	1,183
476	430	480	Lakshmi Vilas Bank	1,083.7	961	12.8	1,023	603
477	409	459	ICRA	1,076.9	1,103	-2.4	1,154	785
478	280	330	Shiv Vani Oil & Gas Explorn Services	1,072.5	2,038	-47.4	1,849	1,381
479	223	273	Den Networks	1,055.4	2,730	-61.3	2,461	2,433
480	357	407	Thomas Cook (India)▼▼	1,052.2	1,402	-24.9	1,311	1,265
481	462	512	Piramal Glass	1,051.3	862	22.0	877	370
482	398	448	Merck▼▼	1,050.5	1,138	-7.7	1,140	799
483	454	504	Gujarat Alkalies & Chemicals	1,041.8	890	17.1	909	831
484	362	412	Hindustan Media Ventures	1,035.4	1,362	-24.0	1,251	NA
485	328	378	United Breweries (Holdings)	1,031.3	1,662	-37.9	1,691	1,471
486	NL	NL	PTC India Financial Services	1,030.6	na	na	1,391	na
487	378	428	Panacea Biotec	1,017.2	1,245	-18.3	1,214	1,086
488	284	334	Jindal South West Holdings	1,006.3	1,981	-49.2	1,781	1,410
489	NL	NL	Claris Lifesciences▼▼	998.9	na	na	1,181	na
490	NL	NL	Balmer Lawrie & Co.	989.7	1,055	-6.2	1,004	791
491	552	602	Ineos ABS (India)▼▼	986.4	602	63.9	630	269
492	498	548	Everonn Education	985.0	738	33.4	906	551
493	396	446	Jindal Drilling & Inds.	984.7	1,154	-14.7	1,151	1,192
494	334	384	Electrosteel Castings	982.6	1,606	-38.8	1,416	1,266
495	485	535	Surana Industries	981.7	776	26.5	775	342
496	418	468	Finolex Industries	977.2	1,038	-5.8	1,130	620
497	360	410	Future Capital Holdings	977.1	1,376	-29.0	1,303	1,445
498	213	263	Patel Engineering	959.9	2,880	-66.7	2,409	2,630
499	356	406	HEG	959.9	1,407	-31.8	1,231	1,086
500	358	408	Arshiya International	951.1	1,400	-32.1	1,439	817

TOTAL ASSETS (₹ cr)		TOTAL INCOME (₹ cr)			NET PROFIT (₹ cr)			PROFIT AS % OF TOTAL INCOME	RONW (%)	ROCE (%)	EPS (₹)
2010/11	Rank	2010/11	2009/10	Rank (2011)	2010/11	2009/10	Rank (2011)	2010/11			
202	926	282	218	788	32	32	698	11.49	21.51	31.68	35.75
2,978	296	1,130	953	440	163	107	267	14.42	12.60	9.27	8.28
5,432	200	5,328	4,702	125	71	57	471	1.33	7.66	9.34	4.61
2,135	377	2,010	2,107	284	61	118	515	3.05	8.42	12.58	11.74
1,452	477	4,555	2,852	151	62	43	510	1.36	15.14	17.09	4
1,350	491	471	499	682	58	107	534	12.30	8.44	8.41	8.43
498	757	297	234	782	52	18	566	17.56	14.60	19.98	12.01
1,428	480	1,130	850	439	87	36	411	7.73	17.58	17.52	14.97
909	602	420	1,102	709	-183	155	987	-43.55	-35.84	-20.47	0.94
807	638	92	123	918	36	14	679	38.95	6.37	8.56	0.61
1,669	439	1,090	631	451	165	41	261	15.18	24.55	26.93	57.15
811	636	752	505	550	123	95	322	16.38	23.35	25.34	17.41
1,223	506	502	383	668	92	53	396	18.26	11.90	12.13	7.35
485	766	595	528	616	50	31	587	8.45	24.15	25.48	30.94
1,158	518	716	581	571	108	182	361	15.03	19.81	21.32	27.47
1,952	399	2,267	1,842	258	143	159	289	6.31	17.24	18.42	8.36
3,046	290	2,859	2,237	215	138	90	299	4.81	9.06	12.84	8.5
5,681	194	848	704	516	114	66	347	13.50	24.21	11.03	6.25
2,971	297	3,884	2,888	172	131	129	308	3.38	15.81	14.38	15.3
2,554	331	2,424	2,016	245	91	170	398	3.75	9.66	10.99	0.47
1,012	561	819	695	525	118	101	341	14.44	17.82	18.59	13.22
2,099	381	1,300	1,450	393	3	-250	887	0.22	1.07	5.42	-13.87
7,384	160	648	569	594	21	-78	774	3.31	3.87	30.45	1.66
696	668	847	626	517	64	41	500	7.57	38.83	29.02	28.71
3,581	264	2,345	2,070	251	74	32	456	3.15	7.88	9.66	10.47
13,301	113	1,216	1,019	410	101	31	374	8.32	13.70	65.00	10.49
332	857	142	128	877	45	50	619	31.66	19.87	30.34	38.99
3,861	245	1,234	1,089	408	41	92	642	3.30	4.41	9.91	6.03
1,014	560	355	335	750	7	21	866	1.96	0.95	2.64	0.77
911	599	330	252	765	42	22	637	12.59	14.38	14.83	1.76
1,276	501	811	711	530	69	16	482	8.46	16.36	13.78	9.79
431	798	562	526	630	63	65	505	11.23	15.53	23.54	44.98
2,641	324	1,584	1,510	342	114	172	350	7.21	7.96	8.22	21.29
557	723	531	168	650	54	15	559	10.09	23.70	26.52	7.34
4,426	225	513	546	664	42	70	635	8.13	2.83	9.05	5.15
1,719	434	110	53	903	37	25	673	33.78	4.48	7.68	0.72
1,894	407	1,166	983	424	135	80	301	11.59	20.26	13.87	18.23
643	691	27	7	958	21	4	776	77.94	3.27	3.49	4.56
1,527	461	658	674	593	79	90	434	12.02	12.16	14.22	5.18
1,062	543	2,149	1,771	271	121	117	332	5.63	24.32	36.96	82.39
695	669	825	615	524	70	49	473	8.49	23.09	33.85	41.11
819	630	311	212	775	73	43	461	23.47	18.50	22.81	39.97
588	711	1,064	1,201	459	101	84	376	9.48	25.15	36.41	40.84
3,812	251	1,908	1,657	301	155	206	277	8.10	9.46	9.77	4.67
1,758	429	1,241	1,051	406	57	35	543	4.56	10.71	9.35	21.11
2,223	362	2,221	1,650	263	76	132	442	3.43	12.61	10.66	5.49
3,575	266	264	56	803	55	17	548	20.95	7.42	7.69	8.42
4,624	219	2,197	2,086	267	57	-18	539	2.60	4.37	9.43	12.12
2,224	361	1,177	1,168	420	129	171	311	10.95	16.66	12.78	29.58
1,474	470	478	283	679	25	15	751	5.22	5.06	6.86	5.26

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Source: CMIE Prowess

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BT 500 INDIA'S MOST VALUABLE COMPANIES—The Next 500

RANK 2011	RANK 2010*	RANK 2010**	COMPANY	AVERAGE MARKET CAPITALISATION (₹ cr) Apr-Sep 2011	AVERAGE MARKET CAPITALISATION (₹ cr) Apr-Sep 2010	AVERAGE MARKET CAPITALISATION (₹ cr) Growth %	TOTAL ASSETS (₹ cr) 2010/11	TOTAL ASSETS (₹ cr) Rank 2011	TOTAL INCOME (₹ cr) 2010/11	TOTAL INCOME (₹ cr) Rank 2011	NET PROFIT (₹ cr) 2010/11	NET PROFIT (₹ cr) Rank 2011	ROCE (%) 2010/11
501	669	719	Vakrangee Softwares	934.1	420	122.5	669	678	854	512	48	600	18.25
502	446	496	Ushdev International	932.4	832	12.0	1,818	418	2,650	227	41	638	20.61
503	532	582	Agro Tech Foods	929.5	653	42.2	309	871	743	558	32	700	28.79
504	260	310	IVRCL Assets & Holdings	925.9	2,292	-59.6	3,766	254	686	584	-47	967	1.27
505	353	403	Adhunik Metaliks	924.0	1,423	-35.1	2,714	317	1,615	339	57	541	12.24
506	571	621	Force Motors	920.4	566	62.5	1,114	528	1,786	313	59	529	20.67
507	790	840	Empower India□□	917.3	305	200.5	133	954	68	933	0.45	915	1.10
508	397	447	Bilcare	915.1	1,152	-20.6	1,641	445	670	588	87	412	12.81
509	432	482	Karuturi Global	914.1	955	-4.3	1,151	519	39	951	10	841	1.24
510	255	305	KS Oils□□	913.2	2,340	-61.0	3,788	253	4,102	163	224	217	17.73
511	394	444	Heidelberg Cement India▼▼	908.0	1,160	-21.7	1,282	499	1,015	473	63	504	13.26
512	263	313	Prakash Industries	905.2	2,260	-59.9	2,710	319	1,830	307	267	189	15.16
513	383	433	Dhanlaxmi Bank	905.0	1,229	-26.4	14,271	105	1,054	463	27	738	61.17
514	440	490	Kemrock Industries & Exports $	890.2	929	-4.2	1,725	433	632	602	53	563	9.81
515	371	421	Everest Kanto Cylinder	889.5	1,306	-31.9	973	579	415	716	23	761	5.06
516	758	808	Symphony○○	877.8	340	158.5	109	963	194	847	37	674	80.16
517	NL	NL	Orient Green Power Co.	869.9	na	na	1,426	481	18	965	5	873	0.92
518	340	390	Brigade Enterprises	869.2	1,562	-44.4	2,408	343	497	672	119	338	14.48
519	387	437	Mercator Lines	868.3	1,213	-28.4	3,067	289	703	576	-98	978	2.26
520	NL	NL	ITI	868.3	1,251	-30.6	8,061	152	2,224	262	-363	995	0.00
521	410	460	NIIT	865.2	1,095	-21.0	996	565	698	579	50	591	12.33
522	609	659	Prime Focus	843.8	507	66.6	721	659	141	881	20	782	5.79
523	NL	NL	Dredging Corpn. of India	842.6	1,609	-47.6	1,577	450	523	654	40	655	3.33
524	451	501	Orissa Sponge Iron & Steel □□	834.6	909	-8.2	499	756	197	845	-23	954	-2.87
525	481	531	Gulf Oil Corpn.	829.0	795	4.2	909	601	1,068	458	54	554	15.46
526	NL	NL	Tamil Nadu Newsprint & Papers	829.0	813	1.9	3,103	288	1,325	388	149	279	10.41
527	490	540	Savita Oil Technologies	828.9	752	10.3	983	573	1,759	320	109	358	39.36
528	686	736	Kewal Kiran Clothing	824.8	397	108.0	252	897	246	815	46	610	35.50
529	455	505	KSB Pumps▼▼	821.3	888	-7.5	615	702	664	590	52	573	20.89
530	464	514	Nesco	808.3	854	-5.4	314	870	146	875	69	481	53.06
531	NL	NL	SRS Real Infrastructure	806.9	na	na	450	790	546	642	9	853	7.86
532	370	420	Reliance Industrial Infrastructure	797.5	1,317	-39.4	248	903	71	930	22	765	14.75
533	384	434	JK Cement	796.8	1,228	-35.1	3,430	273	2,705	224	64	502	8.91
534	373	423	Swan Energy	789.4	1,300	-39.3	517	746	411	721	44	626	22.61
535	449	499	Esab India▼▼	778.7	911	-14.5	301	876	557	633	59	525	49.27
536	376	426	3I Infotech	777.1	1,269	-38.8	3,299	279	918	498	119	337	8.12
537	337	387	Great Offshore	774.7	1,580	-51.0	4,484	223	941	491	102	371	7.03
538	513	563	Elder Pharmaceuticals	773.8	708	9.2	1,531	460	851	514	71	469	12.50
539	348	398	Kesoram Industries	766.5	1,480	-48.2	6,795	171	5,913	111	-210	990	1.81
540	448	498	Hinduja Global Solutions	763.6	917	-16.7	894	604	553	639	75	451	13.75
541	579	629	Hawkins Cookers	760.7	559	36.2	150	948	349	754	32	701	84.50
542	492	542	Aegis Logistics	759.3	749	1.4	392	819	267	800	31	706	17.44
543	574	624	Natco Pharma	754.2	563	34.0	696	667	359	749	52	567	15.49
544	363	413	Ahluwalia Contracts (India)	752.6	1,362	-44.7	1,086	540	1,696	329	71	469	28.40
545	592	642	Vesuvius India▼▼	752.4	529	42.3	487	764	483	677	49	598	32.10
546	463	513	DCM Shriram Consolidated	751.7	855	-12.1	3,874	244	4,243	159	-31	958	0.46
547	NL	NL	Andrew Yule & Co.□□	747.0	1,142	-34.6	417	809	305	778	75	449	35.20
548	517	567	Titagarh Wagons	742.2	703	5.6	854	614	709	575	81	429	22.80
549	452	502	Sarda Energy & Minerals	731.5	901	-18.8	1,479	469	986	482	50	592	8.49
550	465	515	Tata Elxsi	728.5	849	-14.2	309	872	415	715	32	703	15.94

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BT 500 INDIA'S MOST VALUABLE COMPANIES—The Next 500

RANK 2011	RANK 2010*	RANK 2010**	COMPANY	AVERAGE MARKET CAPITALISATION (₹ cr) Apr-Sep 2011	AVERAGE MARKET CAPITALISATION (₹ cr) Apr-Sep 2010	AVERAGE MARKET CAPITALISATION (₹ cr) Growth %	TOTAL ASSETS (₹ cr) 2010/11	TOTAL ASSETS (₹ cr) Rank 2011	TOTAL INCOME (₹ cr) 2010/11	TOTAL INCOME (₹ cr) Rank 2011	NET PROFIT (₹ cr) 2010/11	NET PROFIT (₹ cr) Rank 2011	ROCE (%) 2010/11
551	547	597	Goodyear India▼▼	727.3	619	17.6	600	706	1,398	374	75	454	47.86
552	506	556	Apar Industries	723.7	715	1.2	1,917	403	3,026	205	106	364	43.10
553	619	669	Kajaria Ceramics	713.9	486	46.8	814	633	1,009	475	61	520	24.45
554	392	442	Firstsource Solutions	709.9	1,184	-40.0	2,485	338	770	542	66	493	3.67
555	568	618	Indo Rama Synthetics (India)	704.8	571	23.5	2,504	336	3,105	200	139	295	21.56
556	569	619	Dynamatic Technologies	702.4	569	23.4	569	717	391	728	15	815	11.66
557	NL	NL	Rasoya Proteins	701.9	99	610.0	523	742	418	711	7	865	7.25
558	471	521	Finolex Cables	699.8	837	-16.4	1,217	508	2,212	264	87	413	13.12
559	327	377	Dishman Pharma & Chemicals	690.0	1,687	-59.1	1,436	479	445	696	40	649	7.60
560	NL	NL	Chromatic India	689.7	30	2,227.6	316	867	110	900	1	906	0.87
561	645	695	Man Industries (India)❑❑	687.4	449	53.1	1,509	462	1,557	346	67	486	16.08
562	588	638	Mandhana Industries	685.3	536	27.9	1,036	553	755	549	67	488	17.26
563	543	593	KRBL	682.2	629	8.4	1,835	414	1,565	345	116	345	15.59
564	500	550	Essel Propack	674.9	733	-8.0	1,164	516	498	671	44	621	11.09
565	NL	NL	Lovable Lingerie	674.9	na	na	157	940	105	908	14	819	22.91
566	441	491	IL&FS Investment Managers	673.8	928	-27.4	135	953	96	916	37	669	72.89
567	510	560	Zensar Technologies	672.5	710	-5.3	509	750	592	617	88	405	26.24
568	482	532	Elecon Engineering Co.	671.7	794	-15.4	1,470	473	1,316	391	88	407	18.85
569	643	693	Nitin Fire Protection Inds.	670.7	453	48.2	221	915	163	863	24	756	20.65
570	478	528	Zylog Systems	669.2	808	-17.2	1,150	520	918	497	121	331	21.24
571	763	813	Hatsun Agro Products	664.6	337	97.4	486	765	1,357	384	19	786	13.85
572	775	825	Lloyds Steel Inds.▲	661.5	324	104.4	2,294	354	4,249	158	-140	985	-10.02
573	361	411	Vascon Engineers	661.1	1,371	-51.8	1,452	476	859	510	54	553	11.03
574	421	471	Bannari Amman Sugars	661.0	1,010	-34.6	1,571	451	855	511	53	562	7.73
575	559	609	Genesys International Corpn.	660.2	589	12.1	169	937	100	912	47	603	39.36
576	380	430	Jyoti Structures	659.2	1,239	-46.8	1,809	421	2,471	242	111	357	27.01
577	402	452	Madhucon Projects	657.7	1,124	-41.5	2,383	346	1,732	324	32	697	9.19
578	447	497	Transport Corporation Of India	650.1	921	-29.4	751	654	1,760	318	51	577	17.12
579	NL	NL	Karma Industries❑❑	649.6	125	419.4	107	964	429	705	1	905	2.75
580	773	823	Varun Industries	649.2	329	97.2	2,191	366	2,955	212	39	658	12.17
581	598	648	Atlanta	648.2	518	25.2	672	677	285	787	45	616	18.00
582	494	544	OCL Iron & Steel	645.9	748	-13.6	999	563	268	798	12	830	3.45
583	438	488	Saraswati Industrial Syndicate◆◆	645.9	931	-30.6	1,624	446	1,890	304	82	428	24.06
584	535	585	Automotive Axles◆◆	639.1	649	-1.5	375	831	736	561	44	622	28.07
585	626	676	Supreme Petrochem❑	638.3	483	32.3	988	570	2,110	276	88	409	33.98
586	586	636	Polyplex Corporation	637.6	547	16.5	984	571	1,017	472	177	247	40.75
587	333	383	Man Infraconstruction	634.6	1,616	-60.7	662	680	562	632	67	491	19.86
588	865	915	Carol Info Services	632.7	248	154.7	625	697	61	939	22	767	6.85
589	437	487	Geodesic	630.7	932	-32.3	1,917	404	679	586	235	209	20.01
590	391	441	Shriram EPC	629.5	1,185	-46.9	2,406	344	1,349	385	70	474	12.77
591	661	711	Visa Steel	629.0	427	47.1	2,981	295	1,381	381	51	576	10.64
592	311	361	ARSS Infrastructure Projects	627.7	1,805	-65.2	1,733	432	1,257	402	112	354	22.33
593	753	803	Reliance Broadcast Network#	625.4	345	81.3	444	791	141	882	-12	948	-2.40
594	711	761	V-Guard Industries	625.0	376	66.4	407	814	743	557	43	631	26.39
595	508	558	Cmi FPE	622.2	714	-12.9	438	793	471	683	47	604	57.40
596	420	470	Taj GVK Hotels & Resorts	619.8	1,010	-38.7	536	734	261	807	43	627	17.58
597	978	1028	LS Inds.❑❑	619.0	181	242.9	53	979	3	987	-1	933	-1.94
598	495	545	ISMT	615.7	745	-17.3	2,656	321	1,789	312	75	450	9.78
599	573	623	Tinplate Co. of India	614.4	564	9.0	997	564	829	522	36	678	9.10
600	445	495	Mahindra Forgings	613.7	922	-33.5	1,026	556	395	727	-3	940	1.04

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BT 500 INDIA'S MOST VALUABLE COMPANIES—The Next 500

RANK 2011	RANK 2010*	RANK 2010**	COMPANY	AVERAGE MARKET CAPITALISATION (₹ cr) Apr-Sep 2011	AVERAGE MARKET CAPITALISATION (₹ cr) Apr-Sep 2010	AVERAGE MARKET CAPITALISATION (₹ cr) Growth %	TOTAL ASSETS (₹ cr) 2010/11	TOTAL ASSETS (₹ cr) Rank 2011	TOTAL INCOME (₹ cr) 2010/11	TOTAL INCOME (₹ cr) Rank 2011	NET PROFIT (₹ cr) 2010/11	NET PROFIT (₹ cr) Rank 2011	ROCE (%) 2010/11
601	415	465	Ansal Properties & Infrastructure	611.6	1,074	-43.1	4,861	213	1,104	448	76	443	11.75
602	NL	NL	Tide Water Oil Co. (India)	607.5	590	3.0	399	816	868	507	64	498	43.86
603	496	546	Hinduja Ventures	606.5	742	-18.3	680	673	83	925	58	537	10.61
604	401	451	Moser Baer India	600.5	1,124	-46.6	4,292	231	1,968	295	-401	996	-5.73
605	534	584	Kirloskar Pneumatic Co.	599.6	651	-7.8	460	779	538	646	44	623	34.20
606	557	607	Bombay Burmah Trdg. Corpn.	598.6	596	0.4	514	747	419	710	77	440	29.73
607	509	559	SPML Infra	592.0	712	-16.9	1,552	456	1,244	405	29	726	12.31
608	338	388	Consolidated Constrn Consortium	589.5	1,578	-62.6	1,825	416	711	573	51	584	13.57
609	512	562	Shilpa Medicare	585.5	710	-17.5	345	846	272	794	51	582	28.95
610	704	754	Oricon Enterprises	581.6	381	52.5	527	740	74	927	9	848	4.46
611	433	483	Reliance Mediaworks	580.2	947	-38.7	2,338	351	597	614	-256	993	-4.93
612	497	547	OCL India	574.4	739	-22.3	2,162	372	1,690	330	114	346	12.76
613	776	826	Atul	574.3	322	78.4	1,253	503	1,653	333	90	401	21.80
614	NL	NL	Career Point	570.8	na	na	285	882	89	920	27	733	19.22
615	696	746	Kaveri Seed Co.	565.4	386	46.5	377	829	240	820	42	632	23.78
616	NL	NL	GIC Housing Finance	561.1	606	-7.4	3,611	262	428	706	114	351	10.98
617	488	538	Infinite Computer Solutions (India)	557.9	761	-26.7	339	852	229	825	34	686	14.17
618	428	478	SE Investments	554.8	989	-43.9	1,113	531	181	852	61	519	17.21
619	524	574	Sundaram-Clayton	554.3	676	-18.0	815	632	888	504	38	664	11.84
620	540	590	Diamond Power Infrastructure	552.0	636	-13.2	1,115	527	1,174	422	98	382	18.74
621	NL	NL	Prabhav Industries❑❑	551.7	na	na	153	944	2	989	0.09	924	0.11
622	480	530	JK Lakshmi Cement	551.3	796	-30.8	2,576	330	1,530	349	59	524	7.04
623	423	473	Jayaswal Neco Inds.	550.4	1,010	-45.5	2,821	312	2,475	241	98	381	14.15
624	635	685	Swaraj Engines	549.7	469	17.2	213	922	406	722	44	623	46.81
625	505	555	Aptech	544.4	722	-24.6	319	865	99	913	8	858	4.10
626	NL	NL	Innoventive Industries	543.4	na	na	678	674	632	601	57	543	33.20
627	701	751	Rainbow Papers	542.9	383	41.9	811	634	398	726	37	672	9.33
628	563	613	Selan Exploration Technology	541.2	584	-7.3	260	892	80	926	32	702	26.88
629	477	527	Nectar Lifesciences	539.9	814	-33.7	1,814	420	1,136	435	103	368	14.10
630	561	611	Gati○○	539.1	587	-8.2	847	615	757	547	15	813	7.75
631	639	689	Talwalkars Better Value Fitness	538.4	464	16.0	267	889	86	923	15	809	15.67
632	983	1033	Global Capital Market & Infra❑❑	537.9	183	194.7	34	983	1	993	0.27	918	1.65
633	567	617	Tilaknagar Industries	537.5	571	-5.9	915	597	413	718	35	682	13.96
633	499	549	Chemplast Sanmar	537.5	737	-27.1	2,219	363	2,122	274	-42	964	5.48
635	486	536	Banco Products (India)	534.8	774	-30.9	462	778	499	669	59	527	23.35
636	527	577	Pratibha Industries	532.6	664	-19.7	1,370	490	1,197	414	71	465	20.28
637	590	640	Venky's (India)	532.0	534	-0.4	597	708	862	509	73	460	32.78
638	434	484	Voltamp Transformers	531.7	943	-43.6	430	799	608	609	52	571	21.75
639	570	620	West Coast Paper Mills	529.4	568	-6.9	2,155	374	1,122	442	90	400	7.95
640	649	699	SML Isuzu	529.4	443	19.5	639	693	982	486	37	675	21.05
641	422	472	Rei Six Ten Retail	526.5	1,010	-47.9	503	753	717	570	29	723	34.55
642	470	520	Sanghvi Movers	524.1	837	-37.4	1,331	493	374	736	86	415	16.41
643	528	578	Ajmera Realty & Infra India	524.1	663	-20.9	385	821	18	964	10	835	3.94
644	572	622	Oriental Hotels	524.1	565	-7.2	748	655	242	817	22	768	9.32
645	719	769	Dhunseri Petrochem & Tea	522.3	365	43.2	1,593	449	1,798	311	127	315	20.66
646	593	643	Indoco Remedies	519.7	524	-0.7	565	721	495	673	51	578	14.29
647	597	647	Forbes & Co.	518.5	518	0.0	375	832	276	791	1	912	5.54
648	565	615	Ratnamani Metals & Tubes	518.4	581	-10.8	1,020	557	898	501	83	427	18.24
649	530	580	Godawari Power & Ispat	515.0	659	-21.9	1,288	496	1,034	468	71	466	13.58
650	596	646	Tata Sponge Iron	514.2	521	-1.3	817	631	755	548	101	372	32.41

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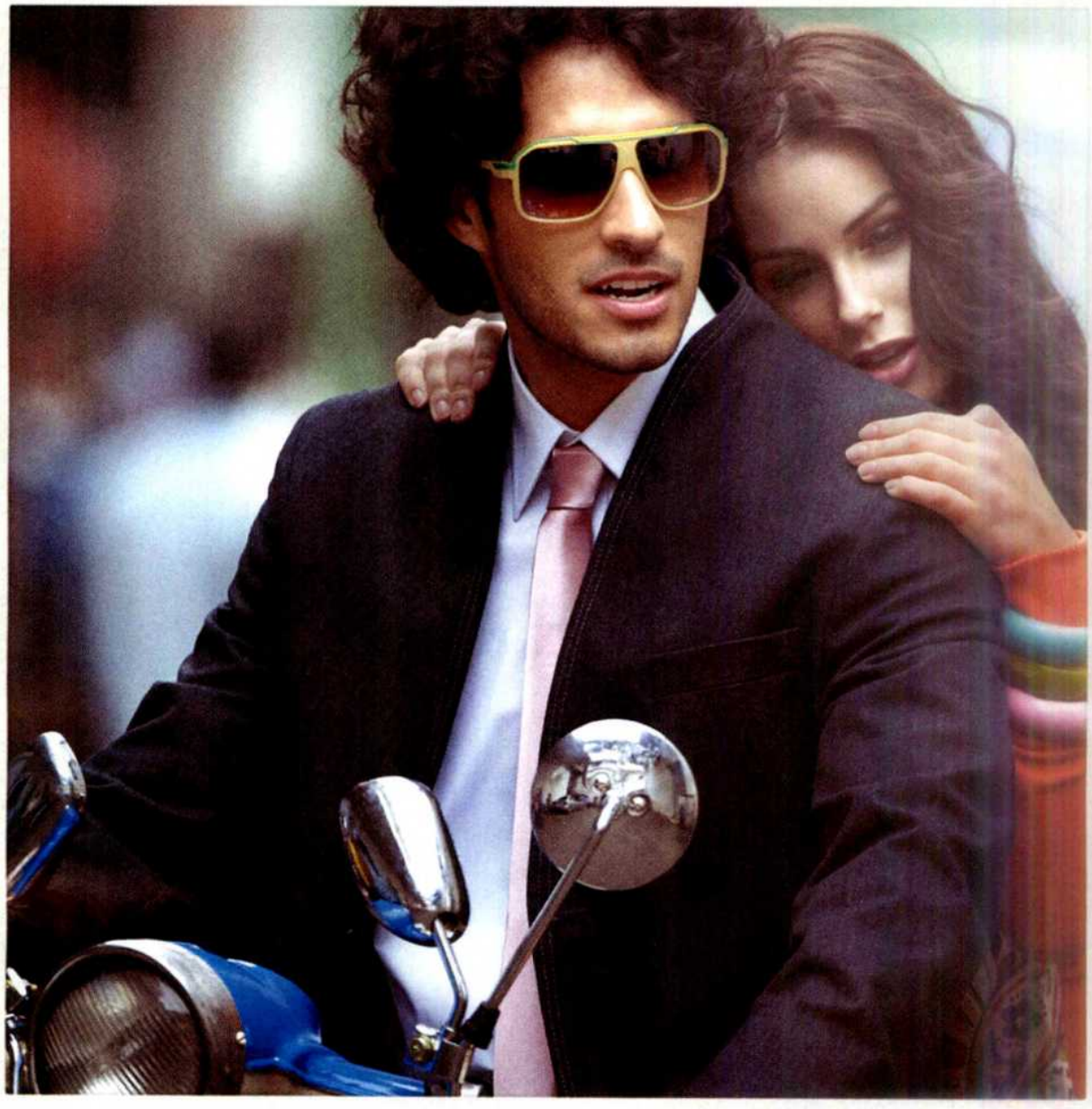

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651	600	650	Bhansali Engineering Polymers	510.6	516	-1.1	428	802	514	662	33	692	32.90
652	715	765	Sudarshan Chemical Inds.	508.5	371	37.2	678	675	768	544	56	546	27.84
653	660	710	Jamna Auto Inds.	508.0	429	18.3	452	788	940	492	42	632	39.78
654	487	537	Geojit BNP Paribas Fin Services	505.3	772	-34.5	545	729	271	796	49	599	18.91
655	NL	NL	Som Distilleries❑❑	504.0	136	269.7	118	958	105	907	8	855	13.71
656	435	485	Mcnally Bharat Engg. Co.	501.8	939	-46.6	1,962	397	1,775	314	48	602	21.86
657	861	911	Odyssey Corpn.❑❑	500.3	253	97.9	60	978	4	983	2	890	8.42
658	NL	NL	Aanjaneya Lifecare	500.1	na	na	301	877	320	770	36	677	35.64
659	550	600	Bharat Bijlee	499.1	610	-18.2	529	738	812	528	74	459	36.37
660	762	812	Binani Industries	498.0	337	47.6	867	608	86	924	11	831	6.88
661	599	649	Pennar Industries	494.0	517	-4.4	520	744	1,216	409	69	477	36.24
662	554	604	KPR Mill	492.0	600	-17.9	1,507	464	1,059	461	71	467	9.92
663	347	397	Orbit Corpn.	488.1	1,481	-67.0	1,959	398	361	744	75	445	10.90
664	531	581	Hikal	488.1	654	-25.3	1,087	539	517	660	35	684	9.79
665	368	418	Veritas (India)	488.0	1,324	-63.1	119	957	211	839	2	891	6.35
666	NL	NL	Gravita India	485.9	na	na	105	965	210	840	10	845	24.34
667	666	716	Greenply Industries	482.3	423	14.1	1,160	517	1,345	386	25	750	9.58
668	476	526	Advanta India▼▼	481.7	816	-41.0	934	589	142	878	-30	956	1.82
669	577	627	Sandur Manganese & Iron Ores❑❑	481.3	560	-14.1	384	822	320	771	29	722	22.18
670	424	474	Aqua Logistics	474.9	1,004	-52.7	617	700	382	731	22	764	7.54
671	640	690	NRB Bearings	474.6	463	2.4	453	787	518	658	54	556	28.80
672	533	583	Phillips Carbon Black	472.8	653	-27.5	1,855	412	1,937	298	116	344	20.98
673	542	592	ICSA (India)	472.5	635	-25.6	2,125	379	1,417	370	126	318	17.86
674	555	605	Noida Toll Bridge Co.	471.1	598	-21.2	673	676	87	922	37	667	10.24
675	NL	NL	Indosolar	469.4	808	-41.9	1,059	544	623	603	-57	973	0.52
676	680	730	Zodiac Clothing Co.	468.7	404	15.9	251	898	310	777	23	759	16.94
677	646	696	JK Paper	461.9	446	3.6	1,470	472	1,400	373	106	362	18.55
678	925	975	Camlin	461.5	212	117.2	198	928	371	739	9	852	17.61
679	689	739	Paper Products▼▼	461.0	391	17.9	472	776	799	535	48	601	19.51
680	537	587	Assam Company India>>	460.2	643	-28.5	1,047	548	267	801	20	780	6.12
681	732	782	Empire Industries	460.2	359	28.3	233	908	228	827	29	729	48.41
682	722	772	Dhanuka Agritech	460.0	364	26.3	399	817	549	640	51	579	38.35
683	838	888	Southern Petrochem Inds. Corpn.❑❑	459.7	283	62.5	1,964	396	812	527	-125	982	-7.83
684	612	662	TIL	458.2	503	-8.8	424	804	239	821	31	707	15.85
685	670	720	Jindal Cotex	455.5	420	8.5	504	752	272	795	10	836	6.99
686	705	755	Take Solutions	455.4	381	19.5	366	834	64	936	23	758	10.26
687	479	529	HBL Power Systems	452.6	801	-43.5	1,462	475	1,114	444	16	801	4.71
688	474	524	Unity Infraprojects	452.3	830	-45.5	1,899	405	1,759	319	94	388	19.61
689	503	553	Manaksia	452.2	728	-37.9	995	566	995	478	29	720	10.31
690	NL	NL	Tuni Textile Mills	451.8	na	na	22	987	18	963	0.23	920	5.45
691	426	476	TRF	450.8	994	-54.7	863	611	746	554	1	907	4.21
692	700	750	IFB Industries	450.5	446	1.0	416	810	835	521	50	586	38.21
693	607	657	Sunflag Iron & Steel Co.	450.0	508	-11.4	1,175	513	1,708	327	71	472	15.48
694	472	522	Walchandnagar Industries◆◆	448.5	835	-46.3	1,171	514	714	572	22	768	8.59
695	544	594	Henkel India▼▼	443.3	627	-29.3	455	785	473	681	1	900	4.49
696	971	1021	Usher Agro○○	438.8	186	135.4	349	845	343	757	24	757	17.58
697	641	691	Shree Ram Urban Infrastructure▼▼	438.5	463	-5.3	1,119	526	37	952	-16	951	8.97
698	372	422	Shree Ashtavinayak Cine Vision#	437.4	1,306	-66.5	931	592	106	906	-9	946	0.00
699	516	566	Hitachi Home & Life Solutions(India)	437.1	707	-38.2	659	684	840	518	29	719	17.62
700	553	603	Ganesh Housing Corpn.	433.1	601	-27.9	921	594	163	864	58	535	13.46

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RANK 2011	RANK 2010*	RANK 2010**	COMPANY	AVERAGE MARKET CAPITALISATION (₹ cr) Apr-Sep 2011	Apr-Sep 2010	Growth %	TOTAL ASSETS (₹ cr) 2010/11	Rank 2011	TOTAL INCOME (₹ cr) 2010/11	Rank 2011	NET PROFIT (₹ cr) 2010/11	Rank 2011	ROCE (%) 2010/11
701	648	698	Ahmednagar Forgings○○	431.8	445	-2.9	1,249	504	665	589	64	501	14.69
702	583	633	Shristi Infrastructure Devp. Corpn.	426.8	554	-23.0	316	868	109	905	4	882	9.98
703	NR	NR	Lloyds Metals & Energy	425.9	613	-30.6	510	748	752	551	19	788	15.85
704	800	850	Spanco┘┘	424.9	297	43.0	1,815	419	1,236	407	62	511	17.34
705	699	749	VST Tillers Tractors	424.3	384	10.5	248	902	432	704	46	611	49.17
706	620	670	Action Construction Equipment	424.0	486	-12.8	539	732	721	565	41	644	24.10
707	879	929	Insecticides (India)	422.1	240	76.1	343	847	480	678	32	699	25.26
708	453	503	Ruchi Infrastructure	420.2	896	-53.1	916	596	1,772	316	20	779	7.40
709	NR	NR	Shrenuj & Co.	420.0	363	15.6	2,030	388	1,577	344	31	711	9.53
710	442	492	Hindustan Dorr-Oliver	417.1	927	-55.0	983	572	972	487	54	558	26.47
711	673	723	Nilkamal	415.9	410	1.3	802	641	1,431	366	52	565	16.62
712	693	743	Sterling Holiday Resorts (India)	415.3	387	7.2	298	878	58	942	-30	957	-117.92
713	806	855	Sical Logistics┘┘	414.4	296	39.9	1,133	522	562	631	26	740	6.13
714	NL	NL	Midvalley Entertainment##	413.5	na	na	67	975	13	973	0.04	926	0.33
715	541	591	Provogue (India)	410.1	635	-35.4	1,046	549	585	621	33	692	6.77
716	725	775	Supreme Infrastructure India	407.7	363	12.4	975	578	923	495	76	444	21.82
717	834	884	Astral Poly Technik	406.9	273	49.0	334	856	441	700	34	690	26.27
718	808	858	Surya Pharmaceutical	405.7	294	38.1	2,166	371	1,642	336	99	378	17.25
719	316	366	Texmaco	405.2	1,768	-77.1	255	895	17	967	8	861	2.46
720	998	1048	Warren Tea	404.8	175	130.9	236	907	213	834	21	778	26.41
721	683	733	Hercules Hoists	402.6	402	0.2	193	932	136	886	30	716	42.42
721	858	908	Steel Strips Wheels	402.6	254	58.7	839	622	719	568	30	717	10.19
723	633	683	Honda Siel Power Products	400.6	471	-15.0	419	807	446	695	30	718	20.94
724	695	745	Orient Abrasives	399.3	386	3.3	336	853	403	724	47	606	27.59
725	NL	NL	Zee Learn×	399.1	na	na	138	951	45	945	2	894	2.25
726	584	634	Sonata Software	397.5	549	-27.6	350	843	304	779	62	512	21.37
727	624	674	Asian Hotels (North)	396.9	484	-17.9	1,571	452	243	816	29	728	6.86
728	622	672	GHCL	395.1	485	-18.6	2,935	299	1,602	340	98	380	9.89
729	651	701	Maharashtra Scooters	394.8	439	-10.0	239	906	42	947	22	771	10.58
730	764	814	Subex	393.7	335	17.7	1,035	554	330	764	72	464	11.42
731	587	637	Century Enka	392.6	541	-27.5	1,400	486	1,508	351	79	433	14.03
732	511	561	New Delhi Television	391.8	710	-44.8	779	646	368	742	-99	979	-16.65
733	539	589	Hanung Toys & Textiles	391.2	638	-38.6	1,668	441	1,140	431	120	333	15.44
734	514	564	Bharati Shipyard	390.7	708	-44.8	8,244	150	839	520	113	352	11.79
735	744	794	Gujarat Ambuja Exports	390.7	349	12.0	995	567	1,975	293	94	389	19.01
736	767	817	IT People (India)	390.4	332	17.6	120	956	12	974	3	888	3.00
737	NR	NR	Kiri Industries	390.0	887	-56.0	946	587	602	612	33	695	12.43
738	853	903	Confidence Petroleum India	388.8	258	50.6	374	833	664	591	46	612	28.05
739	502	552	JK Tyre & Inds.	386.3	730	-47.1	3,536	269	5,284	129	61	516	11.18
740	691	741	Aarti Industries	383.5	390	-1.7	1,322	494	1,542	348	67	490	16.01
741	515	565	PSL	382.8	707	-45.9	4,401	226	2,670	225	74	455	9.79
742	580	630	Sanghi Industries┘┘	381.3	557	-31.6	1,972	395	718	569	89	404	5.63
743	653	703	JMC Projects (India)	380.6	436	-12.7	1,267	502	1,387	379	40	653	15.84
744	564	614	Ramco Industries	380.5	583	-34.7	719	660	632	600	53	561	14.95
745	677	727	Citurgia Biochemicals$$	379.8	405	-6.3	13	995	NA	na	-0.32	932	-16.91
746	575	625	Nalwa Sons Invsts.	379.6	562	-32.5	296	879	19	962	16	806	6.31
747	493	543	BL Kashyap & Sons	377.1	749	-49.6	1,762	428	1,580	343	49	595	12.73
748	698	748	Mangalore Chemicals & Fertilizers	376.5	384	-2.0	990	568	2,537	236	78	438	25.40
749	523	573	Wire & Wireless (India)	376.3	680	-44.6	494	761	232	822	-57	972	-2.33
750	634	684	Jindal Worldwide┘┘	372.9	471	-20.8	220	918	295	783	7	864	11.36

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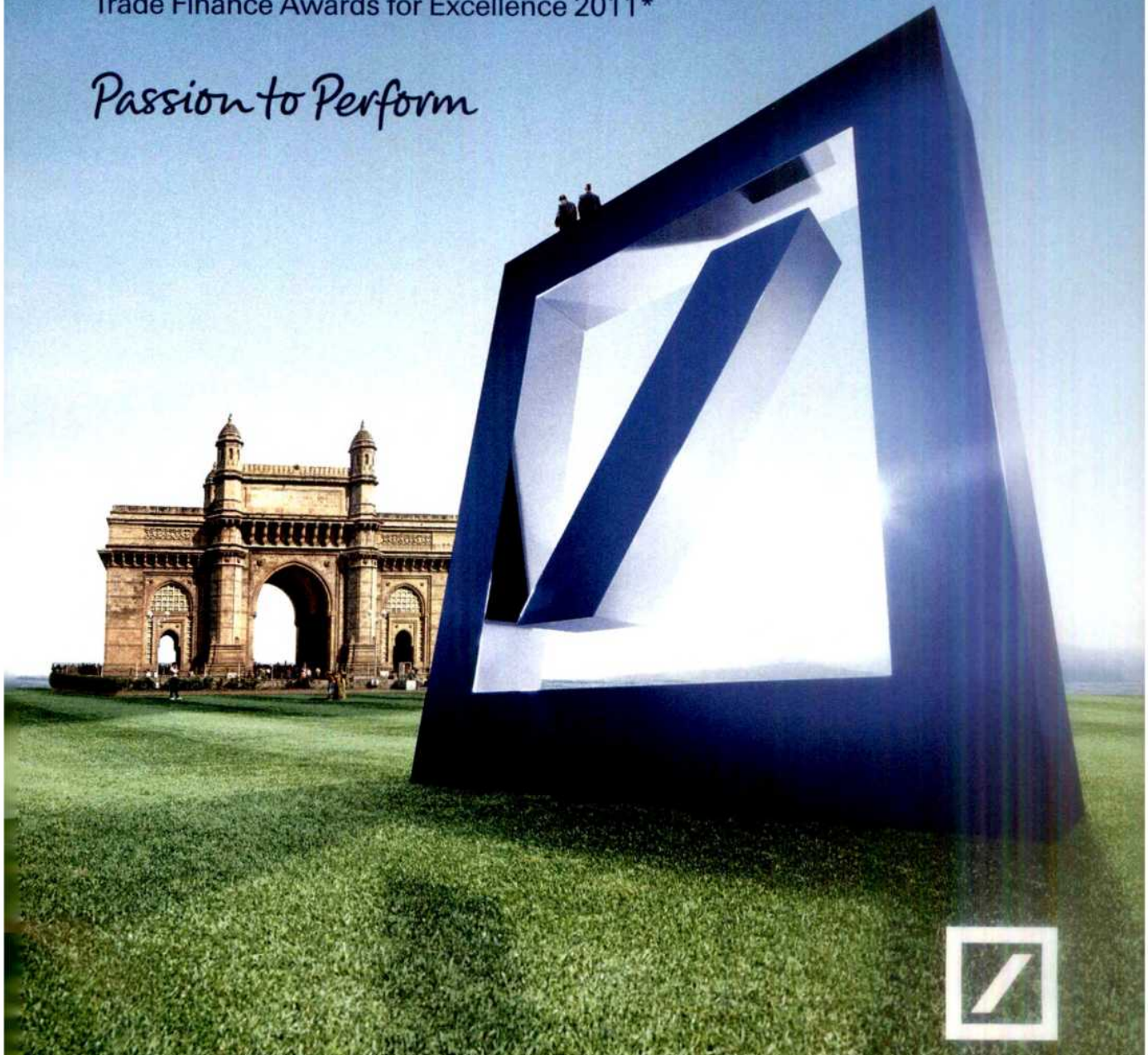

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751	521	571	Welspun India	371.3	695	-46.6	2,927	300	2,198	266	-100	980	4.27
752	525	575	Varun Shipping Co.	370.4	668	-44.6	3,851	246	885	505	15	816	6.49
753	770	820	Timex Group India	368.6	331	11.4	154	943	179	854	14	820	26.78
754	556	606	Kanani Industries	365.1	598	-38.9	95	967	152	871	16	803	24.77
755	NR	NR	Maharaja Shree Umaid Mills	362.7	148	144.4	474	775	616	604	155	275	68.84
756	460	510	Marg	361.9	595	-39.2	2,034	387	1,146	429	60	522	15.04
757	NR	NR	Balmer Lawrie Invsts.	361.3	334	8.3	74	972	25	959	24	755	48.09
758	469	519	DQ Entertainment (International)	360.5	838	-57.0	475	774	174	857	13	823	6.16
759	905	955	Neha International ○○	359.6	223	61.0	71	973	24	961	1	898	2.80
760	608	658	J Kumar Infraprojects	359.2	570	-37.0	755	652	956	490	74	457	25.34
761	855	905	Sabero Organics Gujarat	358.8	255	40.6	377	830	449	691	11	834	13.64
762	750	800	Riddhi Siddhi Gluco Biols	358.1	347	3.3	842	618	1,038	467	164	265	43.62
763	582	632	TV Today Network	357.9	556	-35.7	528	739	303	781	12	826	5.44
764	852	902	Surya Roshni	356.5	257	38.9	1,558	454	2,369	247	67	489	12.35
765	662	712	Relaxo Footwears	356.4	427	-16.5	437	796	694	582	27	737	17.30
766	731	781	India Glycols	355.5	360	-1.1	2,287	355	1,906	302	26	743	7.06
767	NR	NR	Vinati Organics	355.0	371	-4.2	258	893	339	759	52	569	34.65
768	627	677	Emco	354.0	482	-26.5	1,421	483	1,110	446	-44	966	-1.86
769	765	815	Jay Shree Tea & Inds.	353.8	333	6.4	950	585	531	649	46	609	12.03
770	810	860	TTK Healthcare	353.7	290	21.8	193	931	315	774	15	817	30.26
771	652	701	Ruby Mills	350.1	439	-20.2	832	624	211	838	58	538	14.63
772	791	841	Garden Silk Mills	349.7	305	14.7	2,417	342	3,687	179	88	408	12.81
773	726	776	Shasun Pharmaceuticals	349.1	362	-3.6	585	713	596	615	-36	960	-3.41
774	578	628	Seamec	346.6	560	-38.1	485	768	120	893	-67	974	-13.18
775	610	660	Kirloskar Ferrous Inds.	345.5	505	-31.6	710	664	1,210	412	49	594	22.24
775	NL	NL	Inventure Growth & Securities ⌐⌐	345.5	na	na	155	942	40	949	10	838	25.10
777	845	895	Saint-Gobain Sekurit India	345.2	262	31.6	88	969	104	909	10	840	15.94
778	631	681	Asian Hotels (East)	345.0	476	-27.5	821	628	101	911	30	715	4.77
779	NL	NL	Tilak Finance ⌐⌐	344.5	na	na	2	1,000	2	988	1	901	210.06
780	589	639	Sasken Communication Technologies	343.0	536	-35.9	482	770	415	714	90	403	21.02
781	780	830	Minda Industries	343.0	318	7.9	550	726	997	477	35	683	19.70
782	867	917	Ajanta Pharma	341.4	247	38.1	481	771	464	684	46	608	17.90
783	819	869	Foseco India ▼▼	340.9	284	20.0	122	955	206	841	19	783	39.53
784	519	569	Cambridge Solutions ▼▼	340.3	699	-51.3	415	812	227	828	-1	937	1.89
785	718	768	Om Metals Infraprojects	338.8	366	-7.4	628	695	249	813	29	727	10.79
786	892	942	Siyaram Silk Mills	338.7	233	45.5	660	682	869	506	58	536	23.67
787	NL	NL	Blue Circle Services	338.4	na	na	30	985	2	990	1	902	10.23
788	NR	NR	PNB Gilts	337.4	358	-5.9	1,484	468	116	896	31	710	7.02
789	684	734	Gabriel India	335.8	400	-16.1	556	725	1,073	456	45	615	24.38
790	794	844	Garware Polyester ☒	334.8	304	10.1	630	694	331	762	25	746	7.08
791	558	608	Nitesh Estates	334.4	593	-43.6	534	736	109	904	4	881	1.97
792	613	663	Ceat	334.3	501	-33.3	2,815	313	3,812	175	22	770	9.09
793	785	835	Rane Holdings	333.5	311	7.4	279	884	67	934	40	645	18.90
794	688	738	Himatsingka Seide	333.3	396	-15.8	1,210	509	541	645	-42	963	0.18
795	707	757	Sahara One Media & Entertainment	333.0	378	-11.9	418	808	142	880	0.05	925	3.55
796	737	787	Shanthi Gears	332.7	355	-6.4	289	881	180	853	28	732	18.31
797	697	747	Parekh Aluminex	332.4	384	-13.5	988	569	904	500	67	485	14.54
798	687	737	KCP	331.9	397	-16.3	830	625	369	741	41	638	12.23
799	756	806	Su-Raj Diamonds & Jewellery	330.9	342	-3.3	4,122	235	5,228	131	112	355	8.61
800	642	692	Kolte Patil Developers	329.1	460	-28.4	931	591	151	872	53	564	10.75

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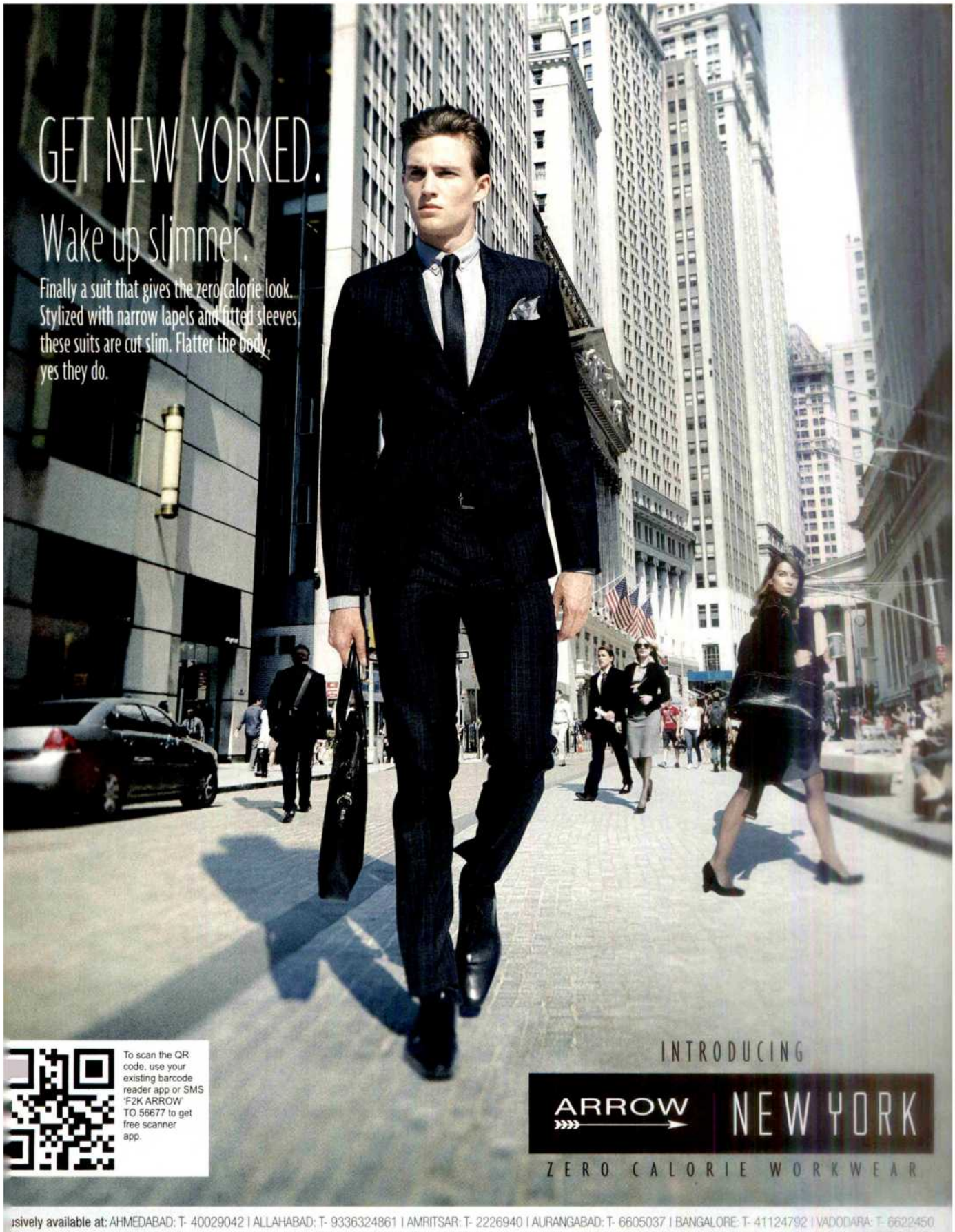

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RANK 2011	RANK 2010*	RANK 2010**	COMPANY	AVERAGE MARKET CAPITALISATION (Rs cr) Apr-Sep 2011	AVERAGE MARKET CAPITALISATION (Rs cr) Apr-Sep 2010	AVERAGE MARKET CAPITALISATION (Rs cr) Growth %	TOTAL ASSETS (Rs cr) 2010/11	TOTAL ASSETS (Rs cr) Rank 2011	TOTAL INCOME (Rs cr) 2010/11	TOTAL INCOME (Rs cr) Rank 2011	NET PROFIT (Rs cr) 2010/11	NET PROFIT (Rs cr) Rank 2011	ROCE (%) 2010/11
801	679	729	Fulford (India)▼▼	328.4	404	-18.8	263	891	201	843	12	828	12.64
802	663	713	Indraprastha Medical Corpn.	327.7	425	-22.8	360	835	463	685	31	709	24.91
803	654	704	Geometric	327.3	436	-24.9	274	887	267	802	22	766	10.46
804	783	833	Mirc Electronics	327.0	316	3.5	897	603	2,006	286	27	734	11.77
805	868	918	Ind-Swift Laboratories	325.9	247	31.9	1,767	427	1,044	464	88	410	10.64
806	591	641	Transformers & Rectifiers (India)	323.4	531	-39.1	529	737	592	618	40	650	17.25
807	692	742	Sona Koyo Steering Systems	323.1	390	-17.1	658	685	1,163	426	37	669	19.21
808	605	655	Gokaldas Exports	322.2	509	-36.7	793	642	1,160	427	-88	976	-7.85
809	602	652	KNR Constructions	321.6	514	-37.4	821	627	796	536	57	542	21.99
810	632	682	Parenteral Drugs (India)	320.8	472	-32.0	659	683	381	733	9	850	6.51
811	768	818	Pradip Overseas	320.1	331	-3.4	1,406	485	2,178	269	66	492	18.15
812	560	610	Marathon Nextgen Realty	320.0	587	-45.5	568	718	143	876	88	406	29.57
813	877	927	Lumax Industries	319.7	243	31.6	618	699	961	488	18	792	13.39
814	623	673	Oil Country Tubular	319.7	484	-33.9	456	784	331	761	30	713	20.61
815	NL	NL	Kirloskar Brothers Invst.	318.2	na	na	114	960	31	956	29	725	30.19
816	NR	NR	DB (International) Stock Brokers	316.8	102	209.8	32	984	11	975	2	895	16.84
817	831	881	Cals Refineries	314.7	274	14.8	913	598	NA	na	NA	na	0.00
818	821	871	Gujarat Natural Resources❑❑	314.3	282	11.5	65	976	2	991	0	928	4.46
819	712	762	Indian Hume Pipe Co.	314.1	375	-16.2	730	658	697	580	28	731	14.66
820	772	822	Kothari Products	314.0	329	-4.6	1,976	394	1,395	375	62	514	13.02
821	625	675	Eveready Industries (India)	311.5	483	-35.6	1,225	505	1,013	474	39	657	8.48
822	815	865	Goodricke Group▼▼	310.9	286	8.7	381	825	412	720	45	617	49.05
823	675	725	Jagatjit Industries	310.3	364	-14.7	770	647	1,418	369	25	749	15.89
824	617	667	Mukand	310.1	498	-37.8	4,933	211	2,978	209	47	607	12.18
825	NR	NR	Trident	309.7	391	-20.8	2,926	302	2,591	232	67	487	9.17
826	NR	NR	Optiemus Infracom	309.3	8	3,845.7	379	826	1,213	411	16	807	16.64
827	581	631	Kalyani Steels	309.3	556	-44.4	834	623	1,466	356	55	552	17.27
828	979	1029	Poly Medicure	308.1	184	67.6	161	939	172	859	22	772	26.88
829	752	802	Sundaram Multi Pap	305.9	345	-11.4	216	919	196	846	9	851	11.79
830	659	709	Meghmani Organics	302.9	430	-29.5	1,035	555	938	493	47	604	9.62
831	551	601	Splash Media & Infra	302.6	602	-49.8	15	993	6	981	1	913	6.32
832	507	557	Alembic	302.3	714	-57.7	378	827	223	829	-13	950	-2.14
833	804	854	RSWM	302.2	296	2.0	1,741	431	2,096	279	123	325	21.36
834	796	846	Navin Fluorine Intl.	300.7	303	-0.8	525	741	461	687	72	463	33.89
835	NL	NL	Santowin Corporation<<	300.4	na	na	11	996	1	995	-0.16	931	0.93
836	685	735	Nirlon	299.8	397	-24.5	840	620	155	868	0.36	916	9.69
837	536	586	Indiabulls Securities	298.9	644	-53.6	704	665	341	758	37	671	17.05
838	NL	NL	Fineotex Chemical	298.0	na	na	52	980	31	955	4	877	20.60
839	NR	NR	Wendt (India)	296.8	166	79.1	86	970	91	919	16	804	44.39
840	741	791	Nahar Spinning Mills	296.5	351	-15.6	2,248	357	1,406	372	120	335	13.15
841	647	697	Mangalam Cement	296.3	446	-33.5	651	688	577	625	38	661	10.14
842	848	898	MSP Steel & Power	295.0	259	13.9	1,168	515	554	635	50	588	10.49
843	991	1041	National Peroxide	294.4	179	64.9	187	934	203	842	58	533	79.93
844	703	753	Western India Shipyard	293.6	382	-23.1	221	916	97	915	15	808	16.55
845	836	886	Borosil Glass Works	293.0	270	8.7	855	613	936	494	648	107	221.12
846	671	721	PVR	292.6	421	-30.5	547	728	413	717	16	802	8.82
847	951	1001	Vivimed Labs❑❑	291.8	195	49.4	319	863	213	836	17	800	14.23
848	483	533	Kirloskar Industries	291.3	783	-62.8	566	720	69	932	55	547	11.92
849	795	845	EIH Associated Hotels	291.2	304	-4.1	428	801	176	856	12	829	12.25
850	658	708	Zee News	290.5	432	-32.8	319	866	254	810	10	844	9.67

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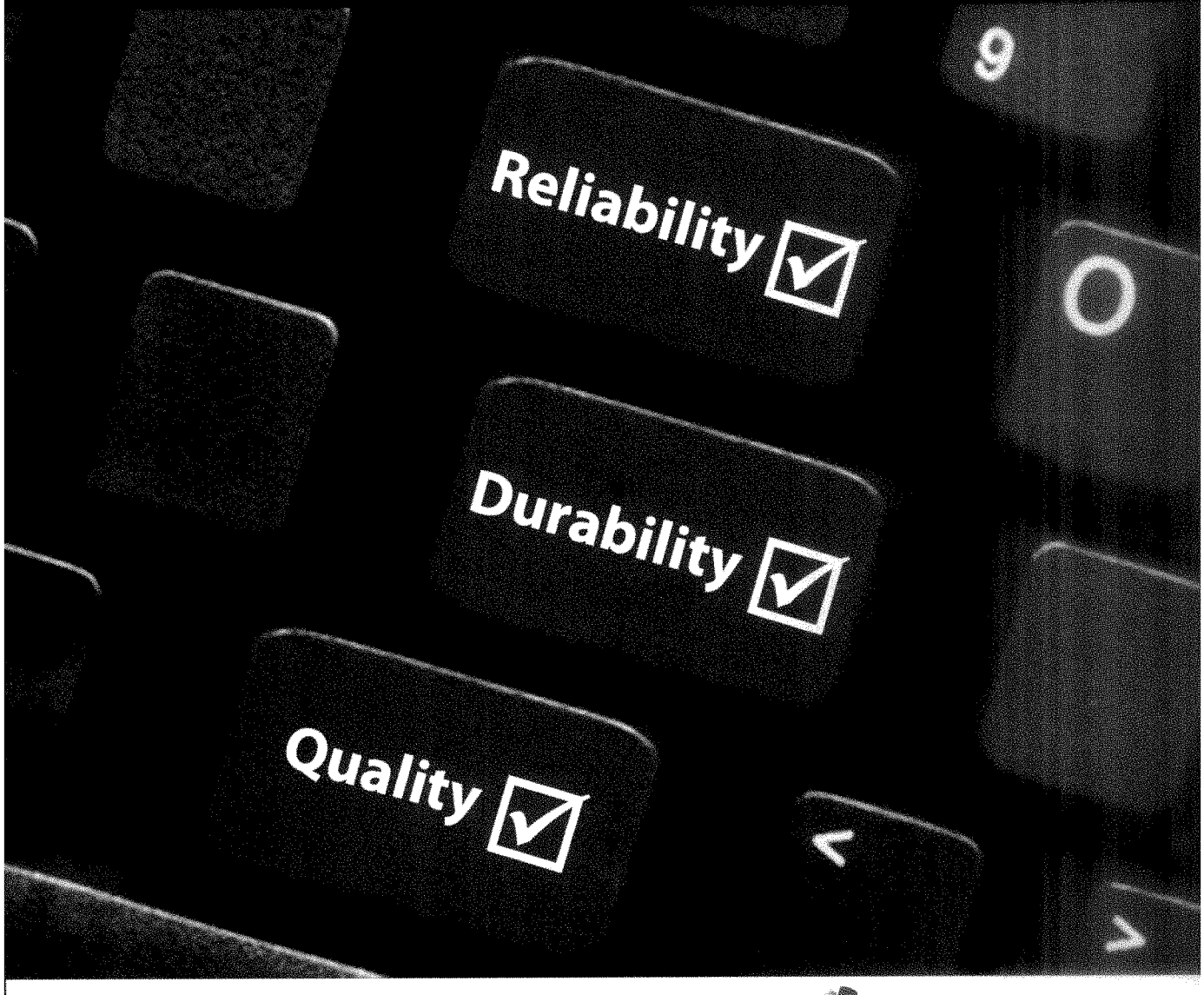

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851	896	946	Alchemist	288.7	228	26.4	319	864	412	719	8	857	4.43
852	863	913	APL Apollo Tubes	288.1	251	15.0	458	782	645	597	25	745	14.40
853	NL	NL	Kalyani Investment Co.	287.5	na	na	335	854	8	979	6	869	1.91
854	941	991	Kama Holdings	287.5	200	43.9	397	818	60	940	55	550	23.72
855	NR	NR	Chartered Logistics	287.4	51	463.4	110	962	185	850	8	859	20.99
856	754	804	Dhampur Sugar Mills▼	287.3	345	-16.6	2,013	389	2,438	244	9	849	9.48
857	501	551	Mastek❑	286.7	732	-60.9	496	759	424	707	-1	936	1.27
858	749	799	Shirpur Gold Refinery	284.9	347	-17.9	358	836	200	844	-22	953	-7.32
859	788	838	ZF Steering Gear (India)	284.4	307	-7.5	231	911	339	760	41	640	32.44
860	888	938	GEI Industrial Systems	284.1	235	20.8	477	773	416	713	24	754	21.86
861	672	722	Inox Leisure	283.4	416	-31.8	595	709	350	753	7	866	4.68
862	341	391	Money Matters Financial Services	281.9	1,548	-81.8	779	645	156	867	84	422	23.90
863	566	616	Falcon Tyres◆◆	281.0	575	-51.2	579	716	850	515	52	574	27.33
864	611	661	Dunlop India	278.2	504	-44.8	1,491	467	177	855	2	893	1.49
865	934	984	Setco Automotive	277.9	205	35.6	232	910	328	768	33	696	31.74
866	882	932	Aditya Birla Chemicals (India)	277.7	237	17.0	437	795	278	790	62	507	20.69
867	881	931	India Motor Parts & Accessories	277.5	239	16.3	169	936	433	703	29	730	33.27
868	811	861	CCL Products (India)	274.2	290	-5.4	433	797	360	748	27	736	13.78
869	NR	NR	Clarus Infrastructure Realties❑❑	273.5	54	405.1	22	986	8	978	3	883	39.29
870	576	626	C&C Constructions○○	273.4	562	-51.4	1,865	409	1,180	419	69	479	16.90
871	738	788	Nocil	273.1	355	-23.1	453	786	494	674	33	694	15.67
872	728	778	Emami Paper Mills	272.9	361	-24.3	610	704	447	694	14	821	8.12
873	742	792	Andhra Sugars	271.3	350	-22.5	1,003	562	554	636	36	676	10.90
874	784	834	Globus Spirits❑❑	271.0	312	-13.3	250	901	399	725	29	724	37.56
875	674	724	Suashish Diamonds	270.5	410	-34.1	1,678	438	1,183	418	62	513	6.38
876	708	758	Hindustan Motors	270.4	378	-28.4	443	792	959	489	1	908	14.43
877	839	889	Mount Everest Mineral Water	270.2	268	0.9	52	981	25	960	-12	949	-23.13
878	NR	NR	Global Offshore Services	269.8	332	-18.8	712	662	174	858	40	652	8.85
879	793	843	Petron Engineering Construction	269.8	305	-11.4	483	769	514	663	31	708	33.58
880	782	832	Bhagwati Banquets & Hotels	268.7	317	-15.3	308	874	124	890	10	847	8.80
881	935	985	Amar Remedies❑	267.7	205	30.7	490	763	579	623	38	663	20.31
882	779	829	Entegra❑❑	267.7	319	-16.1	964	582	3	986	-29	955	-0.78
883	616	666	Hyderabad Industries	267.5	499	-46.4	563	722	811	529	51	585	22.73
884	628	678	Avance Technologies❑❑	266.4	482	-44.7	199	927	73	928	0.23	920	0.43
885	NL	NL	Intellivate Capital Ventures	264.7	na	na	16	992	17	968	0.31	917	3.96
886	717	767	Premier	264.7	366	-27.7	1,128	524	329	767	18	790	11.21
887	618	668	Ferro Alloys Corpn.	264.2	495	-46.6	321	862	445	697	37	668	30.27
888	664	714	MBL Infrastructures	263.2	424	-37.9	685	670	994	479	60	521	25.19
889	734	784	JVL Agro Inds.	262.7	358	-26.5	1,050	546	2,187	268	31	704	12.18
890	940	990	Net 4 India❑❑	262.1	200	30.8	153	947	114	897	8	855	16.98
891	890	940	Seshasayee Paper & Boards	260.7	235	11.2	874	607	597	613	65	496	13.40
892	NR	NR	Zenith Infotech❑❑	257.1	361	-28.8	509	749	291	786	3	886	6.19
893	644	694	Nucleus Software Exports	256.8	452	-43.2	340	851	230	824	46	614	18.99
894	771	821	Bodal Chemicals	255.8	329	-22.4	557	724	636	599	17	799	13.09
895	832	882	Ashiana Housing	255.7	274	-6.7	330	859	155	869	49	597	40.81
896	NR	NR	Quadrant Televentures	255.0	509	-49.9	841	619	241	819	-224	992	-96.86
897	NL	NL	Bedmutha Industries	254.7	na	na	207	924	213	835	3	889	8.66
898	NR	NR	PFL Infotech❑❑	254.2	18	1,321.8	15	994	0.40	997	0.03	927	0.20
899	994	1044	Cera Sanitaryware	253.5	177	42.9	239	905	261	808	27	739	33.38
900	903	953	TVS Srichakra	251.0	224	11.9	649	690	1,193	415	39	659	27.56

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Source: CMIE Pro

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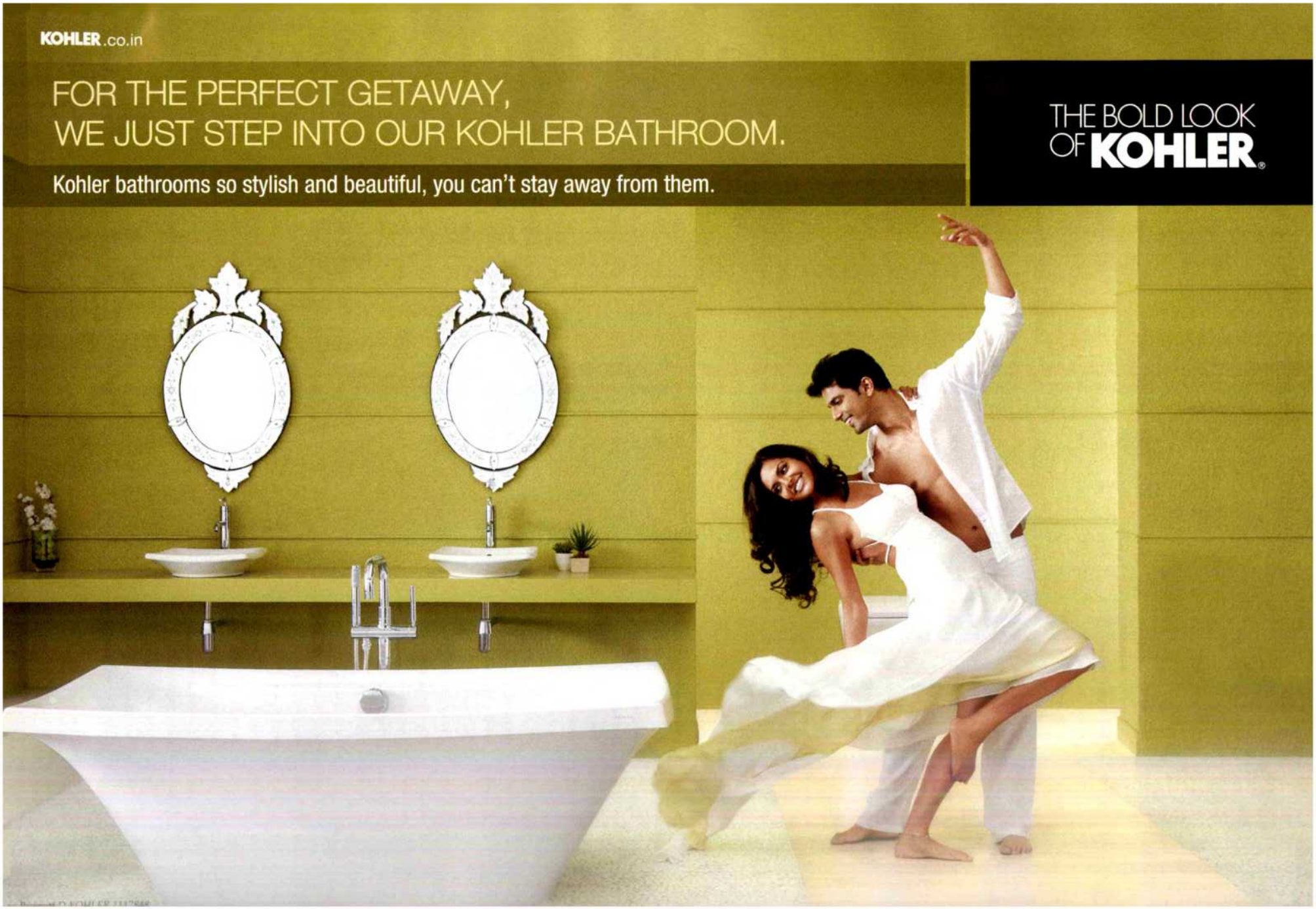
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901	799	849	Wheels India	250.0	297	-15.9	959	584	1,836	306	25	753	14.67
902	789	839	Genus Power Infrastructures	250.0	306	-18.4	865	610	741	559	61	517	17.33
903	NR	NR	Gandhimathi Appliances○	249.8	80	211.8	168	938	229	826	15	810	25.60
904	NL	NL	BF Invst.	248.8	na	na	581	714	42	948	13	824	3.97
905	NL	NL	BS Transcomm	248.6	na	na	699	666	920	496	51	581	26.68
906	913	963	Ester Industries	248.0	218	14.0	626	696	720	566	129	310	55.91
907	751	801	Astra Microwave Products	247.9	347	-28.5	266	890	167	861	19	788	16.38
908	NR	NR	LN Polyesters++	247.5	30	722.0	69	974	62	938	17	798	30.57
909	NR	NR	Andhra Petrochemicals	247.5	164	51.1	388	820	512	665	36	680	21.52
910	733	783	Tata Metaliks	246.4	358	-31.1	684	671	1,442	364	23	760	15.27
911	805	855	Prakash Steelage	243.9	296	-17.6	416	811	575	627	25	752	21.70
912	NR	NR	Anil	243.9	155	57.2	495	760	523	655	40	646	23.65
913	678	728	Aurionpro Solutions	243.1	405	-40.0	322	861	118	895	15	818	9.36
914	NL	NL	Gallantt Ispat	242.3	na	na	315	869	261	805	3	885	6.11
915	723	773	Piramal Life Sciences	241.6	364	-33.6	228	914	16	970	-143	986	-55.56
916	912	962	Suprajit Engineering	239.7	218	9.8	204	925	331	763	31	712	34.96
917	873	923	Hindustan Composites	239.6	244	-2.0	623	698	136	885	20	781	5.49
918	730	780	Parabolic Drugs	239.5	360	-33.4	1,067	541	694	581	52	568	15.48
919	665	715	Bliss GVS Pharma	239.4	424	-43.5	213	921	221	830	41	643	33.78
920	NR	NR	Welspun Projects	239.2	662	-63.9	804	639	262	804	-33	959	0.34
921	NR	NR	K Sera Sera	239.1	235	1.6	382	824	27	957	-1	935	0.83
922	927	977	Maharashtra Polybutenes	238.4	211	13.2	50	982	104	910	7	863	22.65
923	909	959	Shree Nath Commercial & Finance	238.3	221	7.9	16	991	6	980	1	909	8.04
924	803	853	Gemini Communication	237.5	297	-19.9	588	712	317	773	10	843	12.06
925	968	1018	Kanoria Chemicals & Inds.	237.2	187	27.0	810	637	533	648	17	796	6.92
926	NR	NR	EPC Industrie	236.8	68	248.6	114	961	89	921	1	896	11.19
927	637	687	Gayatri Projects	236.2	467	-49.5	1,779	425	1,446	363	50	589	13.67
928	945	995	Sandesh	235.8	197	19.6	479	772	375	735	44	623	21.68
929	778	828	Hinduja Foundries	235.8	321	-26.5	1,122	525	616	605	7	862	6.72
930	894	944	Munjal Showa	234.0	232	0.8	568	719	1,389	377	34	689	19.24
931	NR	NR	RM Mohite Inds.┘┘	233.2	176	32.4	188	933	110	902	4	878	8.98
932	526	576	Lakshmi Energy & Foods◆◆	233.1	664	-64.9	1,691	437	1,192	416	139	296	14.43
933	920	970	Disa India▼▼	233.1	214	8.7	98	966	121	892	15	814	48.30
934	911	961	Heritage Foods (India)	232.7	219	6.3	378	828	1,086	452	1	903	6.92
935	857	907	ABG Infralogistics	232.3	254	-8.6	605	705	150	873	8	854	7.99
936	743	793	Numeric Power Systems	232.2	349	-33.5	358	837	514	661	40	647	20.38
937	414	464	Allied Digital Services	232.1	1,075	-78.4	823	626	529	652	50	593	9.38
938	973	1023	Sutlej Textiles & Inds.	232.0	186	24.7	1,207	511	1,651	334	114	349	22.06
939	NR	NR	Unisys Softwares & Holding Inds.	231.7	120	92.4	215	920	135	887	1	897	4.05
940	797	847	Fedders Lloyd Corpn.○○	230.9	302	-23.6	458	783	700	577	40	651	21.12
941	721	771	Everest Industries	230.7	365	-36.7	541	730	776	540	41	641	19.41
942	601	651	Modern India	229.5	514	-55.4	153	946	149	874	4	879	12.01
943	NR	NR	Tourism Finance Corpn. of India	229.3	253	-9.4	888	605	123	891	44	620	13.27
944	837	887	DIC India▼▼	229.0	269	-15.0	421	806	646	595	51	583	27.08
945	884	934	Amrutanjan Health Care	228.9	236	-2.9	153	945	119	894	11	833	14.15
946	755	805	Suven Life Sciences	228.9	344	-33.4	247	904	152	870	10	837	4.71
947	NR	NR	Parrys Sugar Industries▲	228.9	233	-1.7	767	649	435	702	-95	977	-4.98
948	716	766	English Indian Clays	227.5	369	-38.4	356	839	369	740	30	714	23.34
949	829	879	Ador Welding	227.4	276	-17.7	210	923	330	766	26	742	22.96
950	NR	NR	Lumax Auto Technologies	227.2	172	32.5	157	941	360	747	18	794	46.19

* Ranks as published in last year's BT500; ** Ranks after combining last year's lists of private companies and PSUs; Parameter ranks are for within the Top 1,000 companies; Ranks have been assigned based on multiple decimals; because rounding off, some ranks may appear incorrect; Results are audited and standalone; NA: Not available; na: Not applicable; NL: Not listed on the bourses; NR: Not ranked last year; RONW: Return on net worth; ROCE: Return on capital employed; EPS: Earnings per share; All data for FY ended March 2011 unless otherwise indicated; ▲ 15 months ended June 2011; ○ 9 months ended March 2011; ▼▼ 12 months ended December 2010; ++ 18 months ended September 2010; ◆◆ 12 months ended September 2010; ○○ 12 months ended June 2010; ┘┘ 12 months ended March 2010

Source: CMIE Prowess

Check the performance of the BT500 companies over the past five years. Go to www.businesstoday.in/bt500-2011

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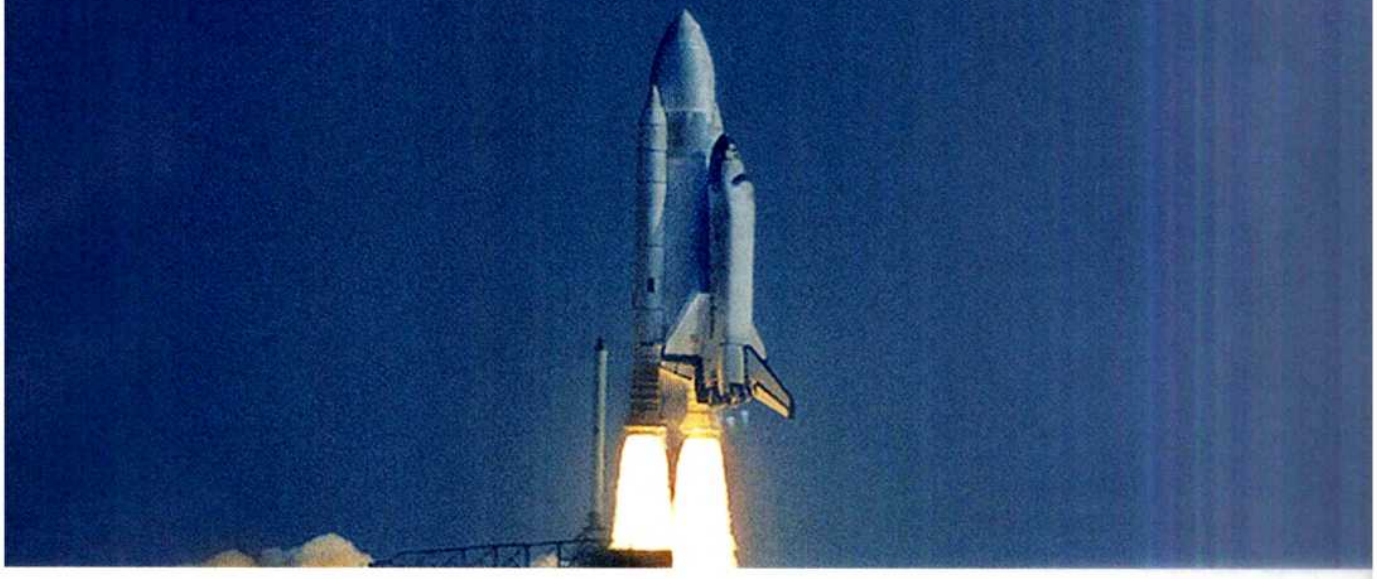

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*Great Lakes uses CAT scores only for screening applications for admissions and IIMs have no role in conduct of Great Lakes academic programs. *Great Lakes is not an associate institute of XLRI but uses XAT scores only for screening applicants for admission. XLRI has no role to play in the conduct of any of Great Lakes Management programs.

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BAUER

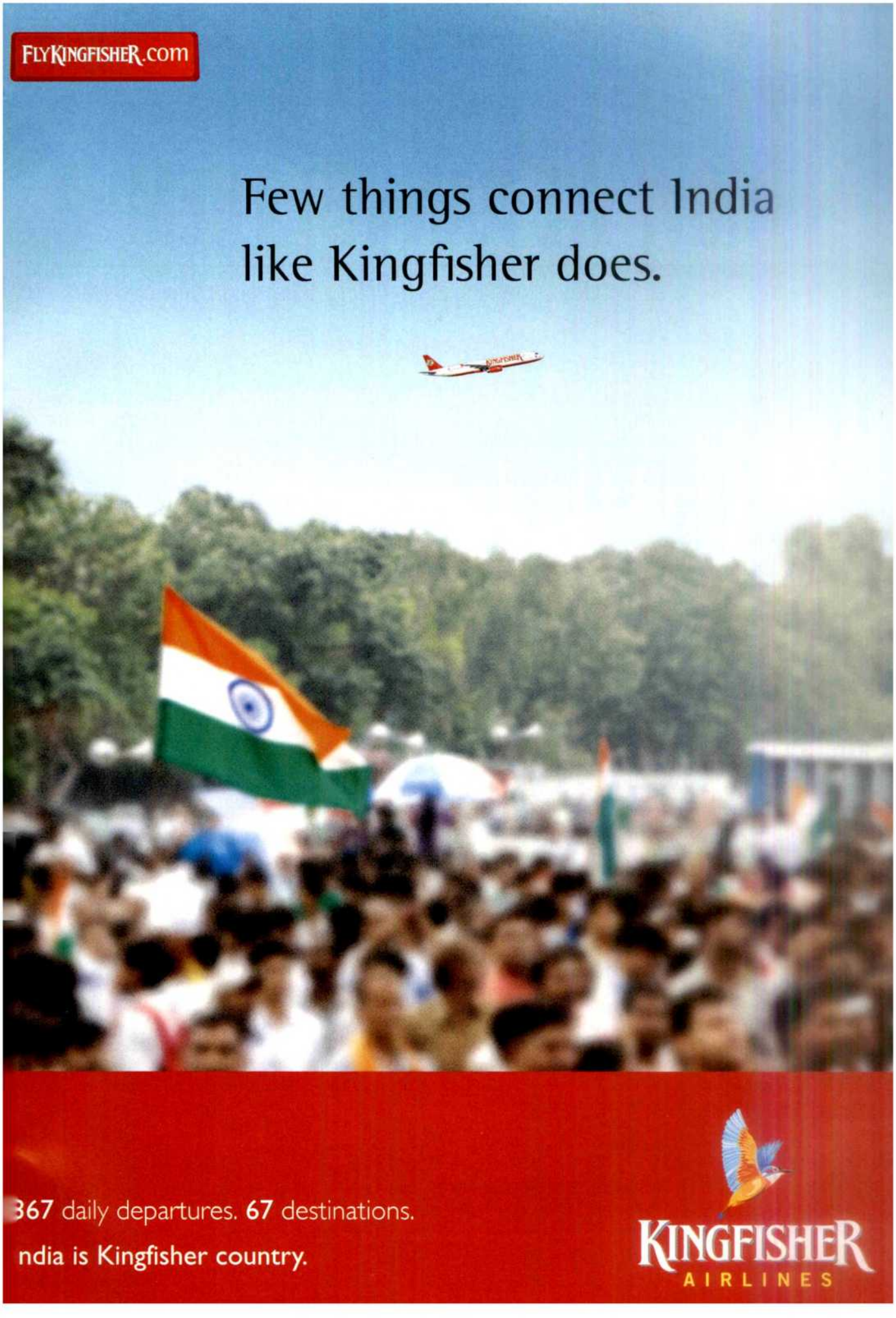
BT 500 INDIA'S MOST VALUABLE COMPANIES—The Next 500

RANK 2011	RANK 2010*	RANK 2010**	COMPANY	AVERAGE MARKET CAPITALISATION (₹ cr) Apr-Sep 2011	Apr-Sep 2010	Growth %	TOTAL ASSETS (₹ cr) 2010/11	Rank 2011	TOTAL INCOME (₹ cr) 2010/11	Rank 2011	NET PROFIT (₹ cr) 2010/11	Rank 2011	ROCE (%) 2010/11
951	629	679	Dolphin Offshore Enterprises (India)	226.3	480	-52.9	429	800	294	784	22	763	14.03
952	NR	NR	Sharon Bio-Medicine ❍❍	226.0	144	57.4	501	754	498	670	19	787	10.81
953	NR	NR	Hi-Tech Gears	225.4	172	31.2	267	888	459	688	35	681	45.53
954	NL	NL	Birla Pacific Medspa ☒	225.4	na	na	22	988	2	992	-2	938	-14.34
955	958	1008	Manali Petrochemical	223.6	192	16.3	233	909	502	667	25	748	25.44
956	860	910	Edserv Softsystems	223.5	253	-11.7	198	929	110	901	42	635	50.59
957	720	770	Gujarat Apollo Inds.	223.1	365	-38.8	251	899	217	832	19	784	16.97
958	729	779	AGC Networks#	222.7	360	-38.1	460	780	310	776	13	825	7.32
959	880	930	Sagar Cements	222.0	239	-6.9	612	703	554	637	17	795	11.19
960	NR	NR	Can Fin Homes	222.0	241	-7.9	2,275	356	231	823	42	634	9.75
961	957	1007	LG Balakrishnan & Bros.	221.7	192	15.2	498	758	770	541	46	613	20.92
962	NR	NR	Steel Exchange India ⌟⌟	221.2	168	31.6	579	715	729	564	5	875	10.09
963	NL	NL	Polytex India ⌟⌟	221.2	na	na	11	997	0.64	996	0.16	922	9.11
964	NR	NR	Kavveri Telecom Products	220.5	115	91.3	304	875	280	789	34	687	26.68
965	NR	NR	GSS Infotech ❍❍	220.2	442	-50.1	292	880	48	944	14	822	5.79
966	830	880	Halonix	218.8	275	-20.4	357	838	474	680	-9	947	1.71
967	NR	NR	Thanga Mayil Jewellery	218.1	171	27.7	257	894	658	592	31	705	30.90
968	787	837	Vindhya Telelinks	217.5	309	-29.6	334	855	216	833	4	880	3.15
969	681	731	Kirloskar Electric Co.	216.2	404	-46.4	712	663	908	499	2	892	8.36
970	970	1020	Cable Corpn. Of India	216.1	186	15.9	438	794	373	738	16	805	11.81
971	736	786	Balaji Telefilms	216.0	357	-39.4	424	805	168	860	-3	941	-1.08
972	897	947	Gillanders Arbuthnot & Co.	215.6	228	-5.4	656	686	767	545	54	554	21.65
973	972	1022	Surana Corporation	215.5	186	15.7	1,090	537	5,320	126	58	532	26.14
974	NL	NL	Dion Global Solutions	215.2	na	na	220	917	34	954	-21	952	-0.77
975	976	1026	Sayaji Hotels	215.1	185	16.1	252	896	113	898	3	884	9.09
976	NR	NR	Winsome Yarns	214.6	52	311.1	755	653	348	755	6	871	10.99
977	694	744	Vikas WSP ⌟⌟	213.7	387	-44.8	976	577	462	686	120	334	16.75
978	818	868	Nahar Industrial Enterprises	212.7	285	-25.3	1,932	400	1,255	403	34	687	7.57
979	987	1037	Automobile Corpn. Of Goa	211.9	181	17.2	275	886	391	729	27	735	28.50
980	932	982	Bengal & Assam Co.	211.8	206	3.0	353	841	34	953	29	721	9.66
981	761	811	Morepen Laboratories	211.4	338	-37.4	616	701	218	831	-43	965	-6.83
982	759	809	DCW ⌟⌟	211.2	339	-37.7	1,046	550	1,113	445	68	484	18.32
983	824	874	Omnitech Infosolutions	210.7	279	-24.4	356	840	317	772	51	575	31.48
984	739	789	Rollatainers◆◆	210.7	353	-40.4	146	949	55	943	-8	944	-5.46
985	NR	NR	Hindustan Organic Chemicals	210.4	249	-15.4	493	762	749	553	26	741	15.55
986	NR	NR	Aarya Global Shares & Securities ⌟⌟	209.9	116	80.3	21	989	10	976	1	909	6.77
987	NR	NR	Sukhjit Starch & Chemicals	209.9	131	59.7	276	885	354	751	39	660	28.85
988	949	999	India Nippon Electricals	209.3	196	6.5	231	912	268	797	25	744	20.86
989	NR	NR	Visagar Polytex ❍❍	208.9	102	104.8	19	990	40	950	1	911	11.16
990	709	759	Asian Hotels (West)	208.7	377	-44.6	485	767	138	884	17	797	9.56
991	NL	NL	Commercial Eng & Body Builders Co.	207.9	na	na	327	860	304	780	6	872	7.84
992	NL	NL	Rushil Decor	207.4	na	na	177	935	130	888	4	876	12.37
993	847	897	AK Capital Services	206.3	260	-20.7	353	842	157	865	54	557	38.53
994	NL	NL	Cimmco$	204.1	na	na	196	930	575	629	545	124	471.45
995	NR	NR	KIC Metaliks	202.9	101	101.1	279	883	275	792	15	811	14.40
996	636	686	Bartronics India	202.8	469	-56.7	1,539	458	610	608	66	494	9.83
997	NR	NR	Ador Fontech	202.2	97	109.0	116	959	156	866	18	791	60.24
998	NR	NR	Kaleidoscope Films<<	201.4	56	257.3	4	999	0.04	998	-0.08	930	-1.83
999	NR	NR	Kitex Garments	199.7	125	60.1	250	900	261	806	21	777	28.81
1,000	NR	NR	AVT Natural Products	199.6	76	163.9	135	952	139	883	11	832	20.65

* Ranks as published in last year's BT500; ** Ranks after combining last year's lists of private companies and PSUs; Parameter ranks are for within the Top 1,000 companies; Ranks have been assigned based on multiple decimals; because rounding off, some ranks may appear incorrect; Results are audited and standalone; NA: Not available; na: Not applicable; NL: Not listed on the bourses; NR: Not ranked last year; RONW: Return on net worth; ROCE: Return on capital employ EPS: Earnings per share; All data for FY ended March 2011 unless otherwise indicated; # 6 months ended March 2011; ◆◆ 12 months ended September 2010; $ 15 months ended June 2010; ❍❍ 12 months ended June 2010; ⌟⌟ 12 months ended March 2010; ☒ 6 months ended March 2010; << 12 months ended March 2009

Source: CMIE Pr

Check the performance of the BT500 companies over the past five years. Go to www.businesstoday.in/bt500-2011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HOW WE RANKED THEM

There are two vital departures from the methodology followed in previous years

This is the 20th year of the BT500 list, an annual ranking of the most valuable companies, which started the same year *Business Today* was launched: 1992. As BT hit the road to becoming the country's highest selling and most respected business magazine, India too set out on its economic reforms' journey. The journey, though bumpy, has transformed the nation into one of the world's fastest growing economies.

Indian businesses have matured and globalised too. Hence this year we have made a key change in our methodology. From now on, the BT500 list will not discriminate as before between companies on the basis of ownership. In previous years, public sector companies were ranked separately in a list of 50.

Since private and public sector companies have been clubbed this year, we have, in order to facilitate comparisons, provided two separate columns depicting the ranks of the companies in 2010. The first has the ranks the companies earned last year and the second, the ranks they would have earned had there been a combined private-public sector list last year too.

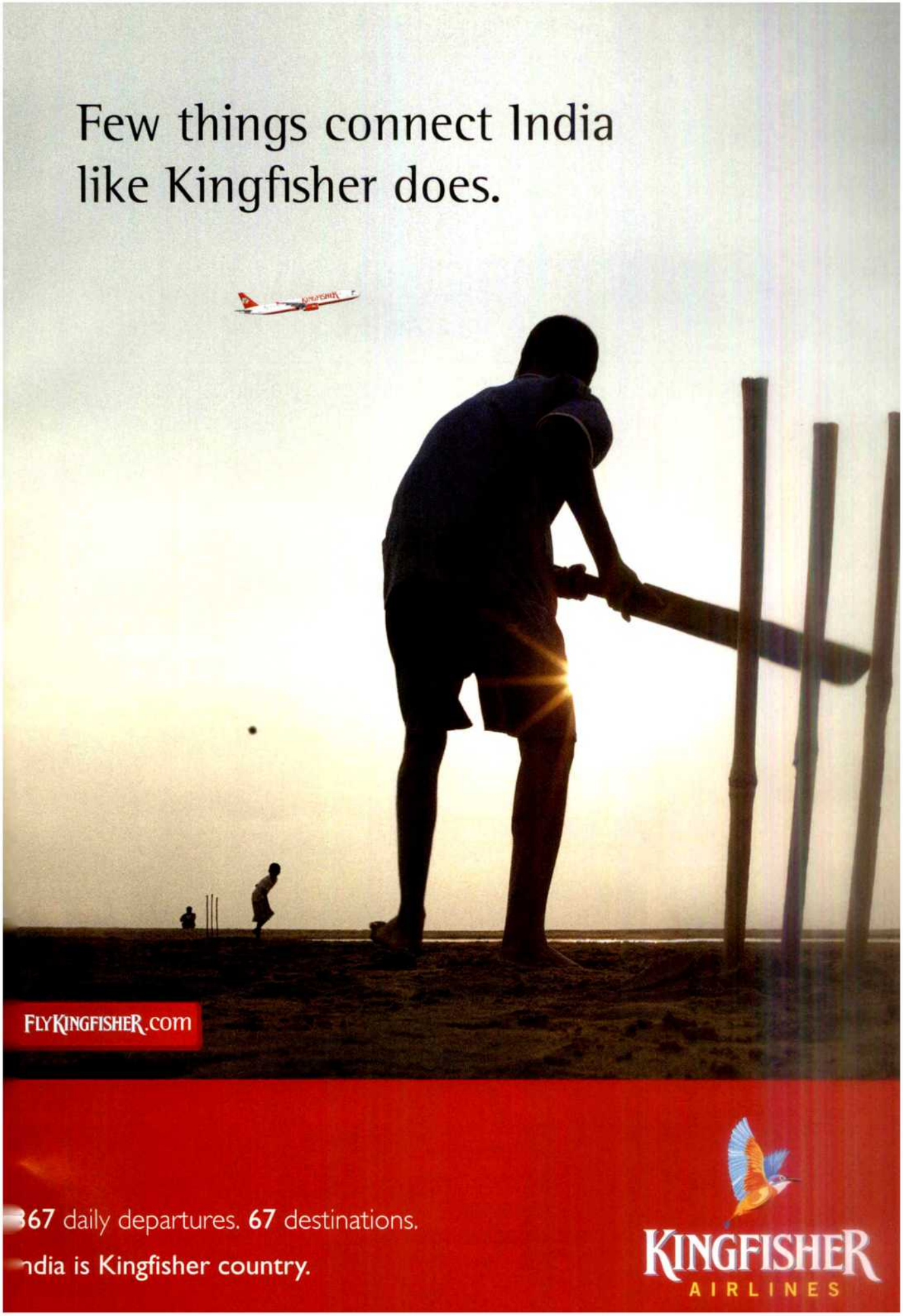
There has been one more departure from previous practice. Last year, while allocating parameter ranks, we considered all listed companies in Prowess. Thus, while Cairn India was ranked at 12 by market capitalisation, its fall in revenues and net loss fetched it ranks of 1,172 and 2,910 respectively on these parameters. This year, we have focused on the top 1,000 companies alone and restricted our parameter ranks within these top 1,000. So Cairn India this year has been ranked 21 by market cap, but 917 and 991 respectively on total income and net profit/loss.

The rest remains the same. We considered the six months between April and September 2011 to calculate average market capitalisation. The ranking was assigned on the basis of market capitalisation, where we compared market cap growth over the previous year's corresponding period.

The Process: We relied on Prowess, the database of the Centre for Monitoring Indian Economy. Initially, all 5,030 companies listed on the Bombay Stock Exchange were considered. We then excluded those companies that traded for less than 20 per cent – that is 25 days – out of the total number of trading days (125) between April 1 and September 30, 2011. That left us with 2,839 companies, of which the top 1,000 were ranked.

Financial Parameters: While the rankings are based on market value, the BT500 list also provides financial data for the financial year 2010/2011. This includes total income, net profit, and total assets (along with rankings), net profit as a percentage of total income (or net profit margins), return on net worth, or RONW, return on capital employed, or ROCE, and EPS. For most companies, the financial year ended March 2011 has been considered. To know which other periods were looked at, refer to the footnotes on the table pages.

We have used standalone numbers – as against consolidated results – for all companies. ◆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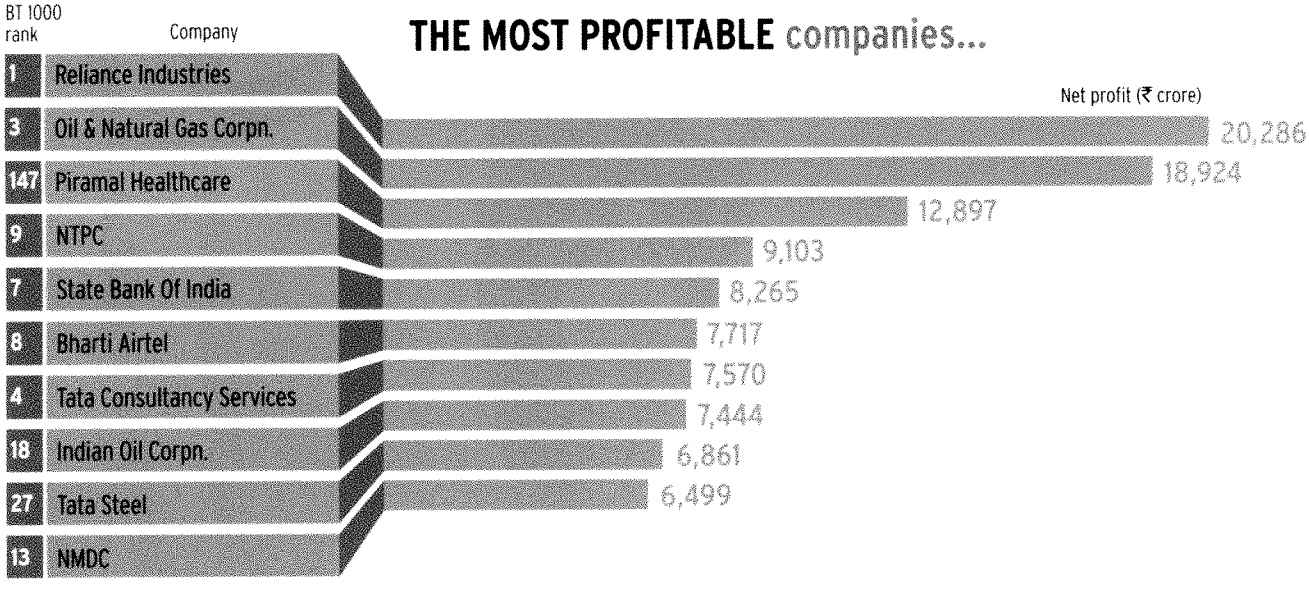
NUMBER PLAY

A sliced-and-diced look at BT1000 tells us who created value and who destroyed it, the sector champions and the returns warriors

THE MOST PROFITABLE companies...



SECTOR CHAMPIONS

Oil & Gas

Rank	BT 1000 rank	Company	Mcap Apr-Sept 2011
1	1	Reliance Industries	2,88,631.6
2	3	Oil & Natural Gas Corpn.	2,38,320.0
3	18	Indian Oil Corpn.	79,175.1
4	21	Cairn India	59,972.5
5	23	GAIL (India)	56,447.2

Metals & Mining

Rank	BT 1000 rank	Company	Mcap Apr-Sept 2011
1	2	Coal India	2,39,595.6
2	22	Jindal Steel & Power	56,536.3
3	24	Hindustan Zinc	56,339.4
4	25	Steel Authority Of India	55,700.4
5	27	Tata Steel	52,846.7

Software

Rank	BT 1000 rank	Company	Mcap Apr-Sept 2011
1	4	TCS	2,17,190.7
2	5	Infosys	1,56,306
3	14	Wipro	99,149.5
4	42	HCL Technologies	32,184.9
5	77	Oracle Financial*	17,386.6

*Oracle Financial Services Software

Companies that returned the highest on **CAPITAL EMPLOYED**...

BT 1000 rank	Company	ROCE** (%)
994	Cimmco	471.45
147	Piramal Healthcare	235.35
845	Borosil Glass Works	221.12
779	Tilak Finance	210.06
34	Nestle India	158.53
93	Colgate-Palmolive (India)	146.4
99	Castrol India	141.38
287	South Indian Bank	114.81
20	Hindustan Unilever	110.43
361	City Union Bank	104.98

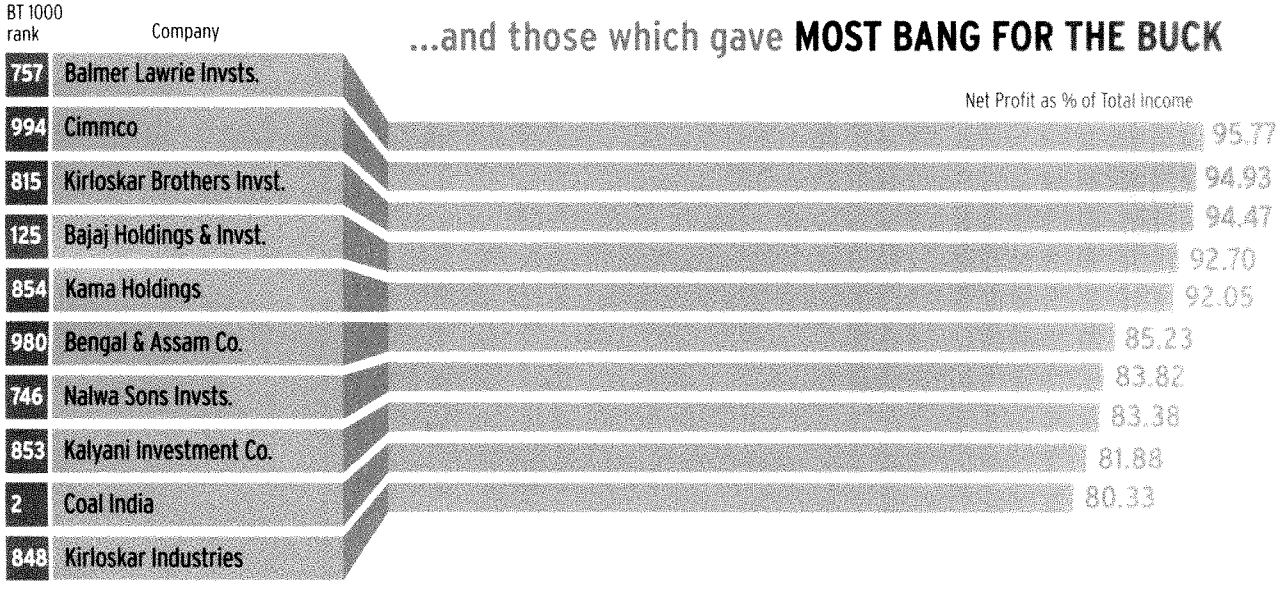
**Return on Capital Employed

...and those which returned the highest on their **NET WORTH**

BT 1000 rank	Company	RONW*** (%)
844	Western India Shipyard	302.27
147	Piramal Healthcare	195.42
845	Borosil Glass Works	190.37
547	Andrew Yule & Co.	166.29
779	Tilak Finance	143.23
34	Nestle India	113.96
93	Colgate-Palmolive (India)	113.38
99	Castrol India	93.66
755	Maharaja Shree Umaid Mills	92.33
20	Hindustan Unilever	88.42

***Return on Net Worth

...and those which gave **MOST BANG FOR THE BUCK**



FMCG

Rank	BT 1000 rank	Company	Mcap Apr-Sept 2011
1	6	ITC	1,51,078.4
2	20	Hindustan Unilever	67,858.2
3	34	Nestle India	39,818.8
4	48	Asian Paints	28,883.9
5	73	Dabur India	18,632.2

Telecom

Rank	BT 1000 rank	Company	Mcap Apr-Sept 2011
1	8	Bharti Airtel	1,46,768.8
2	51	Idea Cellular	26,698.8
3	72	Reliance Communications	18,930.0
4	159	Tata Communications	6,127.0
5	234	Tata Teleservices*	3,462.8

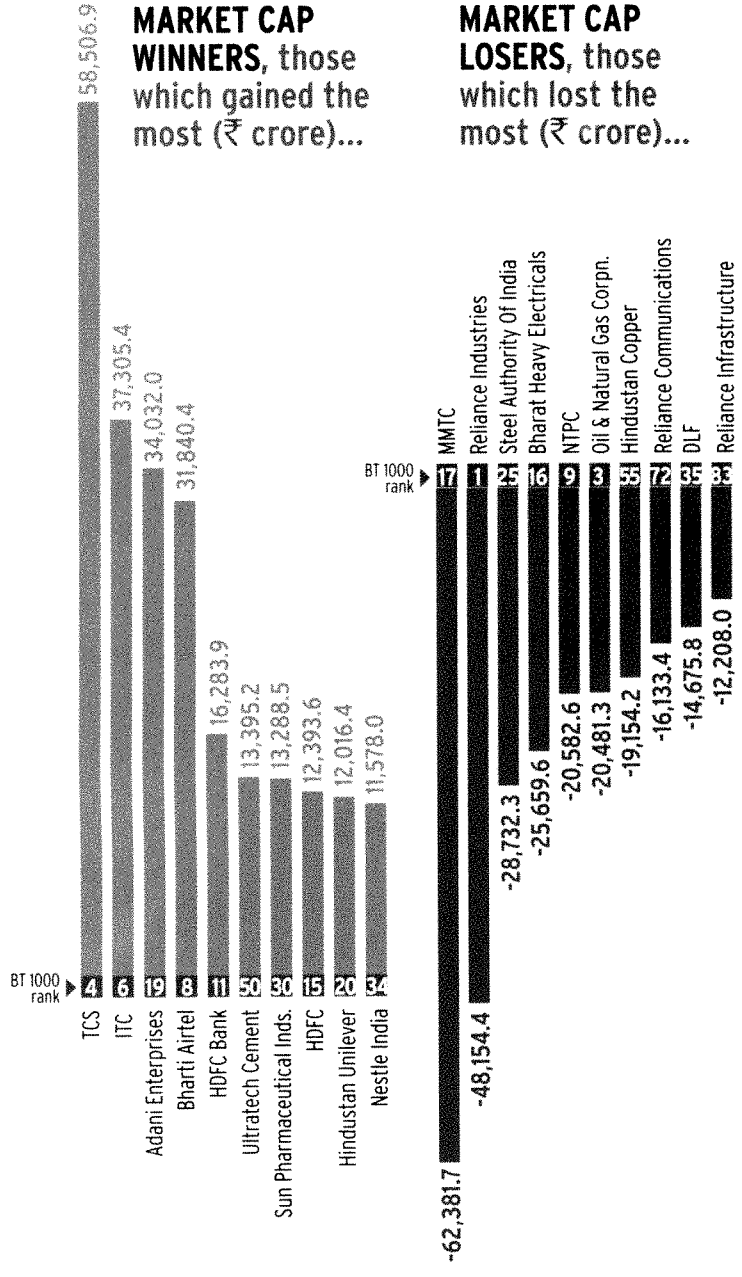
*Tata Teleservices (Maharastra)

Banking

Rank	BT 1000 rank	Company	Mcap Apr-Sept 2011
1	7	State Bank Of India	1,48,196.7
2	10	ICICI Bank	1,16,297.8
3	11	HDFC Bank	1,10,504.1
4	29	Axis Bank	50,909.1
5	38	Punjab National Bank	34,152.8

MARKET CAP WINNERS, those which gained the most (₹ crore)...

MARKET CAP LOSERS, those which lost the most (₹ crore)...



COMPANIES WITH MOST ASSETS, naturally dominated by banks

BT 1000 rank	Company	Assets (₹crore)
7	State Bank Of India	12,24,694
10	ICICI Bank	4,06,678
38	Punjab National Bank	3,78,354
40	Bank Of Baroda	3,58,397
61	Bank Of India	3,51,173
59	Canara Bank	3,36,369
1	Reliance Industries	2,84,900
11	HDFC Bank	2,77,429
97	IDBI Bank	2,53,614
29	Axis Bank	2,42,746

THE MONEY MACHINES, led by India's leading oil refiner

BT 1000 rank	Company	Total Income (₹crore)
18	Indian Oil Corpn	3,62,232
1	Reliance Industries	2,62,161
57	BPCL	1,65,158
91	HPCL	1,45,288
7	State Bank Of India	98,467
3	ONGC	74,088
17	MMTC**	69,594
9	NTPC	59,294
80	Essar Oil	53,697
26	Tata Motors	52,565

**Minerals and Metals Trading Corporation of India

Financial Services

Rank	BT 1000 rank	Company	Mcap Apr-Sept 2011
1	15	HDFC	98,723.1
2	54	Power Finance Corpn.	24,569.3
3	66	Rural Electrification Corpn.	20,216.5
4	69	IDFC	19,037.4
5	82	STFC*	15,209.8

*Shriram Transport Finance Company

Power

Rank	BT 1000 rank	Company	Mcap Apr-Sept 2011
1	9	NTPC	1,45,760.7
2	44	Reliance Power	30,286.5
3	45	NHPC	30,215.5
4	49	Tata Power Co.	28,524.5
5	58	Adani Power	22,811.4

Infrastructure & Construction

Rank	BT 1000 rank	Company	Mcap Apr-Sept 2011
1	12	Larsen & Toubro	1,01,142.2
2	78	Jaiprakash Associates	16,567.4
3	94	GMR Infrastructure	12,741.5
4	113	Engineers India	9,288.8
5	151	Lanco Infratech	6,403.2

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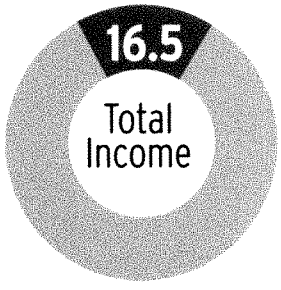
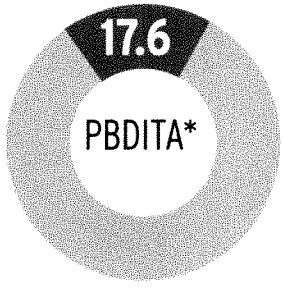
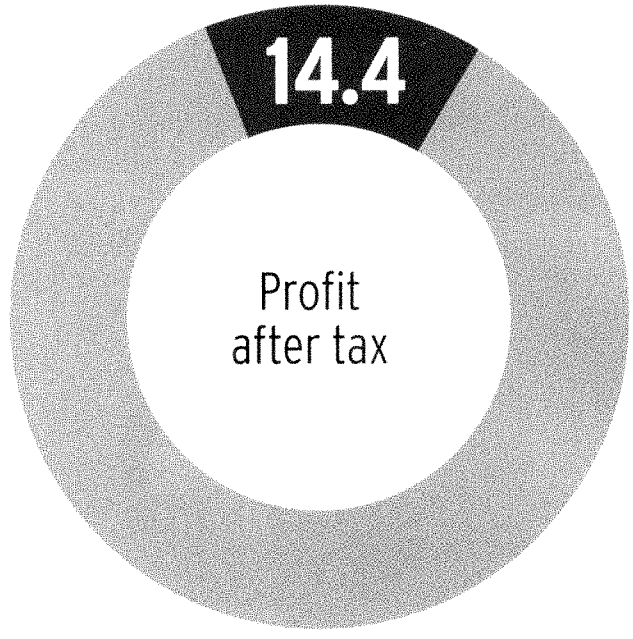
In this year's list of top 1,000 companies, **INCOME AND PROFITS** have seen a steady rise over the past five years...

5-year CAGR



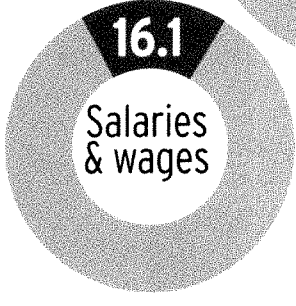


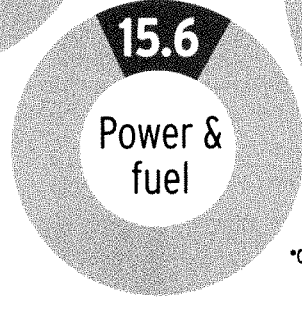


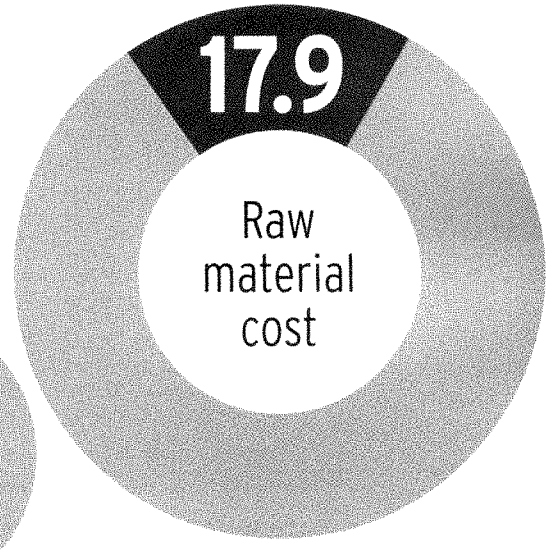
*Profit before depreciation, interest, taxes and amortisation

...but **EXPENSES** have risen at a distinctly faster rate

5-year CAGR







*Calculated for 890 of the 1,000, excluding banks and financial services companies
All figures in percentage

Auto & Ancillaries

Rank	BT 1000 rank	Company	Mcap Apr-Sept 2011
1	26	Tata Motors	53,423.6
2	32	Mahindra & Mahindra	44,074.4
3	33	Bajaj Auto	41,543.0
4	36	Hero Motocorp	37,181.3
5	37	Maruti Suzuki India	34,391.9

Pharma

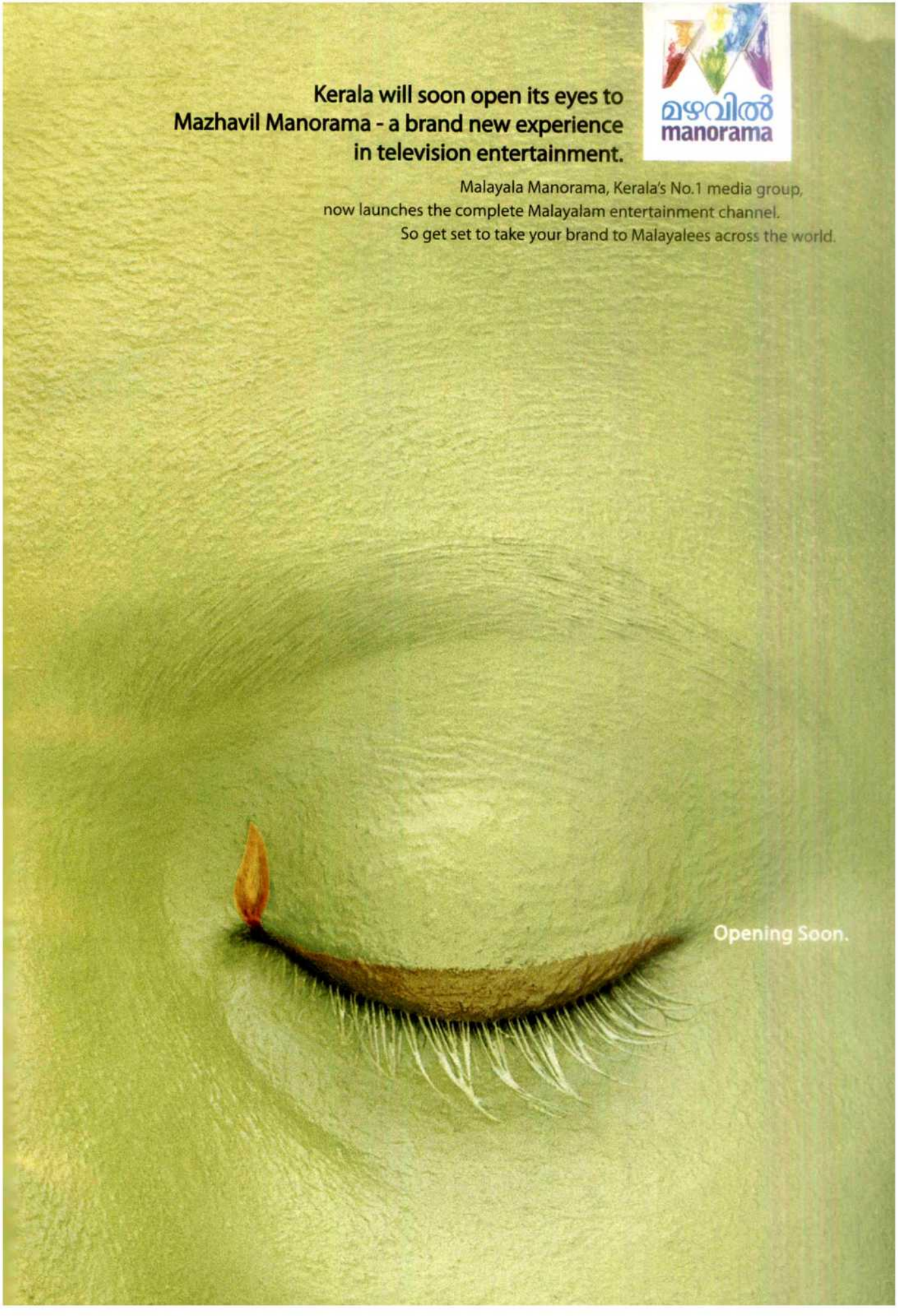
Rank	BT 1000 rank	Company	Mcap Apr-Sept 2011
1	30	Sun Pharmaceutical Inds.	49,153.1
2	52	Dr. Reddy's Laboratories	26,369.2
3	53	Cipla	24,828.3
4	62	Ranbaxy Laboratories	21,151.0
5	67	Lupin	19,942.8

Real Estate

Rank	BT 1000 rank	Company	Mcap Apr-Sept
1	35	DLF	37,668.
2	123	Unitech	8,666
3	132	Oberoi Realty	7,698.
4	139	Jaypee Infratech	7,090
5	160	Housing Development	6,065

All figures in ₹crore

Source: CMIE Prow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Alphabetical Index of Companies Ranked

RANK	COMPANY	PAGE
3		
536	3I Infotech	106
189	3M India	92
A		
372	A2Z Maintenance & Engg.	100
76	ABB	88
935	ABG Infralogistics	122
353	ABG Shipyard	100
68	ACC	88
958	AGC Networks	124
240	AIA Engineering	94
993	AK Capital Services	124
852	APL Apollo Tubes	120
592	ARSS Infrastructure Projects	108
1000	AVT Natural Products	124
658	Aanjaneya Lifecare	112
740	Aarti Industries	114
986	Aarya Global Shares	124
314	Aban Offshore	98
316	Abbott India	98
416	Ackruti City	102
706	Action Construction Equipment	114
19	Adani Enterprises	86
58	Adani Power	88
505	Adhunik Metaliks	106
866	Aditya Birla Chemicals (India)	120
107	Aditya Birla Nuvo	90
997	Ador Fontech	124
949	Ador Welding	122
668	Advanta India	112
542	Aegis Logistics	106
503	Agro Tech Foods	106
544	Ahluwalia Contracts (India)	106
701	Ahmednagar Forgings	114
782	Ajanta Pharma	116
643	Ajmera Realty & Infra India	110
242	Akzo Nobel India	94
851	Alchemist	120
832	Alembic	118
262	Alfa Laval (India)	96
114	Allahabad Bank	90
335	Allcargo Logistics	98
937	Allied Digital Services	122
362	Alok Industries	100
219	Alstom Projects India	94
881	Amar Remedies	120
360	Amara Raja Batteries	100
63	Ambuja Cements	88
945	Amrutanjan Health Care	122
231	Amtek Auto	94
434	Amtek India	102
329	Anant Raj Inds.	98
135	Andhra Bank	90
909	Andhra Petrochemicals	122
422	Andhra Pradesh Paper Mills	102
873	Andhra Sugars	120
547	Andrew Yule & Co.	106
912	Anil	122
601	Ansal Properties & Infra	110
552	Apar Industries	108
153	Apollo Hospitals Enterprise	92
235	Apollo Tyres	94
625	Aptech	110
670	Aqua Logistics	112
162	Areva T & D India	92
500	Arshiya International	104
342	Arvind	98
440	Asahi India Glass	102
895	Ashiana Housing	120
145	Ashok Leyland	90
428	Ashoka Buildcon	102
778	Asian Hotels (East)	116
727	Asian Hotels (North)	114
990	Asian Hotels (West)	124
48	Asian Paints	86
443	Asian Star Co.	102
680	Assam Company India	112
907	Astra Microwave Products	122
717	Astral Poly Technik	114
246	Astrazeneca Pharma India	94
581	Atlanta	108
613	Atul	110
913	Aurionpro Solutions	122
184	Aurobindo Pharma	92
979	Automobile Corpn. Of Goa	124
584	Automotive Axles	108
884	Avance Technologies	120
186	Aventis Pharma	92
29	Axis Bank	86
B		
281	BASF India	96
301	BEML	98
904	BF Invst.	122
291	BF Utilities	96
254	BGR Energy Systems	96
747	BL Kashyap & Sons	114
297	BOC India	96
905	BS Transcomm	122
33	Bajaj Auto	86
384	Bajaj Corp	100
310	Bajaj Electricals	98
302	Bajaj Finance	98
136	Bajaj Finserv	90
390	Bajaj Hindusthan	100
125	Bajaj Holdings & Invst.	90
971	Balaji Telefilms	124
408	Balkrishna Industries	102
340	Ballarpur Industries	98
490	Balmer Lawrie & Co.	104
757	Balmer Lawrie Invsts.	116
403	Balrampur Chini Mills	102
635	Banco Products (India)	110
40	Bank of Baroda	86
61	Bank of India	88
280	Bank of Maharashtra	96
574	Bannari Amman Sugars	108
996	Bartronics India	124
224	Bata India	94
236	Bayer Cropscience	94
897	Bedmutha Industries	120
980	Bengal & Assam Co.	124
233	Berger Paints India	94
880	Bhagwati Banquets & Hotels	120
651	Bhansali Engineering Polymers	112
659	Bharat Bijlee	112
87	Bharat Electronics	88
137	Bharat Forge	90
16	Bharat Heavy Electricals	86
57	Bharat Petroleum Corpn.	88
734	Bharati Shipyard	114
8	Bharti Airtel	86
121	Bhushan Steel	90
508	Bilcare	106
660	Binani Industries	112
141	Biocon	90
284	Birla Corporation	96
954	Birla Pacific Medspa	124
919	Bliss GVS Pharma	122
787	Blue Circle Services	116
229	Blue Dart Express	94
278	Blue Star	96
894	Bodal Chemicals	120
606	Bombay Burmah Trdg. Corpn.	110
423	Bombay Dyeing & Mfg. Co.	102
220	Bombay Rayon Fashions	94
845	Borosil Glass Works	118
60	Bosch	88
518	Brigade Enterprises	106
172	Britannia Industries	92
C		
870	C&C Constructions	120
868	CCL Products (India)	120
218	CESC	94
251	CMC	96
432	C Mahendra Exports	102
970	Cable Corpn. Of India	124
75	Cadila Healthcare	88
21	Cairn India	86
817	Cals Refineries	118
784	Cambridge Solutions	116
678	Camlin	112
960	Can Fin Homes	124
59	Canara Bank	88
285	Carborundum Universal	96
614	Career Point	110
588	Carol Info Services	108
99	Castrol India	88
792	Ceat	116
133	Central Bank Of India	90
731	Century Enka	114
411	Century Plyboards (India)	102
256	Century Textiles & Inds.	96
899	Cera Sanitaryware	120
222	Chambal Fertilisers & Chemicals	94
855	Chartered Logistics	120
633	Chemplast Sanmar	110
245	Chennai Petroleum Corpn.	94
379	Chettinad Cement Corpn.	100
351	Cholamandalam Invst & Fin Co.	100
560	Chromatic India	108
994	Cimmco	124
53	Cipla	88
745	Citurgia Biochemicals	114
361	City Union Bank	100
349	Clariant Chemicals (India)	98
489	Claris Lifesciences	104
869	Clarus Infrastructure Realties	120
595	Cmi FPE	108
2	Coal India	86
93	Colgate-Palmolive (India)	88
991	Commercial Eng&Body Builders	124
738	Confidence Petroleum India	114
608	Consolidated Const.Consortium	110
84	Container Corpn. of India	88
244	Core Projects & Technologies	94
118	Coromandel International	90
134	Corporation Bank	90
274	Cox & Kings	96
174	Crisil	92
85	Crompton Greaves	88
89	Cummins India	88
D		
816	DB (Intl) Stock Brokers	118
201	DB Corp	94
357	DB Realty	100
546	DCM Shriram Consolidated	106
982	DCW	124
944	DIC India	122
35	DLF	86
758	DQ Entertainment (Intl)	116
73	Dabur India	88
450	Dalmia Bharat Enterprises	102
392	Deccan Chronicle Holdings	100
410	Deepak Fertilisers	102
345	Delta Corp	98
479	Den Networks	104
265	Dena Bank	96
473	Development Credit Bank	104
304	Dewan Housing Finance Corpn.	98
856	Dhampur Sugar Mills	120
513	Dhanlaxmi Bank	106
682	Dhanuka Agritech	112
645	Dhunseri Petrochem & Tea	110
620	Diamond Power Infrastructure	110
974	Dion Global Solutions	124
933	Disa India	122
130	Dish TV India	90
559	Dishman Pharmaceuticals	108
108	Divi's Laboratories	90
951	Dolphin Offshore Enterprises	124
52	Dr. Reddy's Laboratories	88
523	Dredging Corpn. of India	106
864	Dunlop India	120
556	Dynamatic Technologies	108
E		
207	EID-Parry (India)	94
182	EIH	92
849	EIH Associated Hotels	118
926	EPC Industrie	122
322	Eclerx Services	98
296	Edelweiss Financial Services	96
956	Edserv Softsystems	124
232	Educomp Solutions	94
226	Eicher Motors	94
451	Elantas Beck India	104
538	Elder Pharmaceuticals	106
568	Elecon Engineering Co.	108
494	Electrosteel Castings	104
380	Electrosteel Steels	100

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BT 500 INDIA'S MOST VALUABLE COMPANIES – Index

RANK	COMPANY	PAGE
446	Elgi Equipments	102
144	Emami	90
872	Emami Paper Mills	120
768	Emco	116
681	Empire Industries	112
507	Empower India	106
113	Engineers India	90
948	English Indian Clays	122
882	Entegra	120
457	Entertainment Network (India)	104
255	Era Infra Engg.	96
385	Eros International Media	100
535	Esab India	106
467	Escorts	104
465	Ess Dee Aluminium	104
80	Essar Oil	88
204	Essar Ports	94
564	Essel Propack	108
906	Ester Industries	122
821	Eveready Industries (India)	118
941	Everest Industries	122
515	Everest Kanto Cylinder	106
492	Everonn Education	104
90	Exide Industries	88

F

RANK	COMPANY	PAGE
352	FAG Bearings India	100
369	FDC	100
863	Falcon Tyres	120
940	Fedders Lloyd Corpn.	122
138	Federal Bank	90
426	Federal-Mogul Goetze (India)	102
887	Ferro Alloys Corpn.	120
292	Fertilisers & Chem, Travancore	96
217	Financial Technologies (India)	94
838	Fineotex Chemical	118
558	Finolex Cables	108
496	Finolex Industries	104
554	Firstsource Solutions	108
647	Forbes & Co.	110
506	Force Motors	106
156	Fortis Healthcare (India)	92
783	Foseco India	116
363	Fresenius Kabi Oncology	100
801	Fulford (India)	118
497	Future Capital Holdings	104
427	Future Ventures India	102

G

RANK	COMPANY	PAGE
23	GAIL (India)	86
860	GEI Industrial Systems	120
728	GHCL	114
616	GIC Housing Finance	110
94	GMR Infrastructure	88
965	GSS Infotech	124
326	GTL Infrastructure	98
334	GTL	98
249	GVK Power & Infrastructure	94
789	Gabriel India	116
914	Gallantt Ispat	122
444	Gammon India	102
460	Gammon Infra Projects	104
903	Gandhimathi Appliances	122
700	Ganesh Housing Corpn.	112
772	Garden Silk Mills	116
790	Garware Polyester	116
431	Gateway Distriparks	102
630	Gati	110
927	Gayatri Projects	122
924	Gemini Communication	122
575	Genesys International Corpn.	108
902	Genus Power Infrastructures	122
589	Geodesic	108
654	Geojit BNP Paribas Fin Services	112
803	Geometric	118
972	Gillanders Arbuthnot & Co.	124
148	Gillette India	90
293	Gitanjali Gems	96
109	GSK Consumer Healthcare	90
70	GSK Pharmaceuticals	88
127	Glenmark Pharmaceuticals	90
632	Global Capital Market & Infra	110
878	Global Offshore Services	120
874	Globus Spirits	120
397	Glodyne Technoserve	100
649	Godawari Power & Ispat	110
273	Godfrey Phillips India	96
88	Godrej Consumer Products	88
157	Godrej Industries	92
183	Godrej Properties	92
808	Gokaldas Exports	118
455	Gokul Refoils & Solvent	104
822	Goodricke Group	118
551	Goodyear India	108
377	Graphite India	100
65	Grasim Industries	88
666	Gravita India	112
208	Great Eastern Shipping Co.	94
537	Great Offshore	106
327	Greaves Cotton	98
667	Greenply Industries	112
441	Grindwell Norton	102
396	Gruh Finance	100
483	Gujarat Alkalies & Chemicals	104
735	Gujarat Ambuja Exports	114
957	Gujarat Apollo Inds.	124
191	Gujarat Fluorochemicals	92
178	Gujarat Gas Co.	92
452	Gujarat Industries Power Co.	104
181	Gujarat Mineral Devp. Corpn.	92
320	Gujarat NRE Coke	98
400	Gujarat Narmada Valley Fert.	100
818	Gujarat Natural Resources	118
276	Gujarat Pipavav Port	96
263	Gujarat State Fertilizers	96
169	Gujarat State Petronet	92
525	Gulf Oil Corpn.	106

H

RANK	COMPANY	PAGE
687	HBL Power Systems	112
347	HCL Infosystems	98
42	HCL Technologies	86
11	HDFC Bank	86
499	HEG	104
205	HMT	94
458	HSIL	104
225	HT Media	94
966	Halonix	124
733	Hanung Toys & Textiles	114
405	Hathway Cable & Datacom	102
571	Hatsun Agro Products	108
187	Havells India	92
541	Hawkins Cookers	106
511	Heidelberg Cement India	106
695	Henkel India	112
721	Hercules Hoists	114
934	Heritage Foods (India)	122
36	Hero Motocorp	86
333	Hexaware Technologies	98
664	Hikal	112
401	Himachal Futuristic Comm.	102
376	Himadri Chemicals & Inds.	100
794	Himatsingka Seide	116
39	Hindalco Industries	86
929	Hinduja Foundries	122
540	Hinduja Global Solutions	106
603	Hinduja Ventures	110
917	Hindustan Composites	122
350	Hindustan Construction Co.	98
55	Hindustan Copper	88
710	Hindustan Dorr-Oliver	114
484	Hindustan Media Ventures	104
876	Hindustan Motors	120
319	Hindustan Oil Exploration Co.	98
985	Hindustan Organic Chemicals	124
91	Hindustan Petroleum Corpn.	88
20	Hindustan Unilever	86
24	Hindustan Zinc	86
368	Hindusthan National Glass	100
699	Hitachi Home & Life Solutions	112
953	Hi-Tech Gears	124
723	Honda Siel Power Products	114
317	Honeywell Automation India	98
393	Hotel Leelaventure	100
160	Housing Development & Infra	92
15	HDFC	86
883	Hyderabad Industries	120

I

RANK	COMPANY	PAGE
10	ICICI Bank	86
477	ICRA	104
673	ICSA (India)	112
97	IDBI Bank	88
692	IFB Industries	112
243	IFCI	94
472	IL&FS Engg. & Construction Co.	104
566	IL&FS Investment Managers	108
213	IL&FS Transportation Networks	94
196	ING Vysya Bank	92
166	IRB Infrastructure Developers	92
598	ISMT	108
6	ITC	86
520	ITI	106
736	IT People (India)	114
383	IVRCL	100
504	IVRCL Assets & Holdings	106
51	Idea Cellular	88
299	India Cements	96
766	India Glycols	116
315	India Infoline	98
867	India Motor Parts	120
988	India Nippon Electricals	124
209	India Securities	94
179	Indiabulls Financial Services	92
221	Indiabulls Power	94
202	Indiabulls Real Estate	94
837	Indiabulls Securities	118
112	Indian Bank	90
163	Indian Hotels Co.	92
819	Indian Hume Pipe Co.	118
461	Indian Metals & Ferro Alloys	104
18	Indian Oil Corpn.	86
129	Indian Overseas Bank	90
555	Indo Rama Synthetics (India)	108
646	Indoco Remedies	110
675	Indosolar	112
171	Indraprastha Gas	92
802	Indraprastha Medical Corpn.	118
805	Ind-Swift Laboratories	118
101	Indusind Bank	90
491	Ineos ABS (India)	104
617	Infinite Computer Solutions	110
216	Info Edge (India)	94
5	Infosys	86
398	Infotech Enterprises	100
69	IDFC	88
404	Ingersoll-Rand (India)	102
626	Innoventive Industries	110
861	Inox Leisure	120
707	Insecticides (India)	114
885	Intellivate Capital Ventures	120
775	Inventure Growth & Securities	116
215	Ipca Laboratories	94

J

RANK	COMPANY	PAGE
471	JB Chemicals & Pharma	104
469	JBF Industries	104
533	JK Cement	106
622	JK Lakshmi Cement	110
677	JK Paper	112
739	JK Tyre & Inds.	114
760	J Kumar Infraprojects	116
743	JMC Projects (India)	114
378	JM Financial	100
366	JSL Stainless	100
104	JSW Energy	90
194	JSW Ispat Steel	92
74	JSW Steel	88
889	JVL Agro Inds.	120
823	Jagatjit Industries	118
223	Jagran Prakashan	94
475	Jai Balaji Inds.	104
321	Jai Corp	98
146	Jain Irrigation Systems	90
78	Jaiprakash Associates	88
111	Jaiprakash Power Ventures	90
214	Jammu & Kashmir Bank	94
653	Jamna Auto Inds.	112
769	Jay Shree Tea & Inds.	116
623	Jayaswal Neco Inds.	110
139	Jaypee Infratech	90
227	Jet Airways (India)	94
685	Jindal Cotex	112
493	Jindal Drilling & Inds.	104
425	Jindal Poly Films	102
200	Jindal Saw	92
488	Jindal South West Holdings	104
22	Jindal Steel & Power	86
750	Jindal Worldwide	114
175	Jubilant Foodworks	92
264	Jubilant Life Sciences	96
386	Jyothy Laboratories	100
576	Jyoti Structures	108

K

RANK	COMPANY	PAGE
798	KCP	116
348	KEC International	98
439	KGN Industries	102
995	KIC Metaliks	124
809	KNR Constructions	118
414	KPIT Cummins Infosystems	102
662	KPR Mill	112
563	KRBL	108
529	KSB Pumps	106

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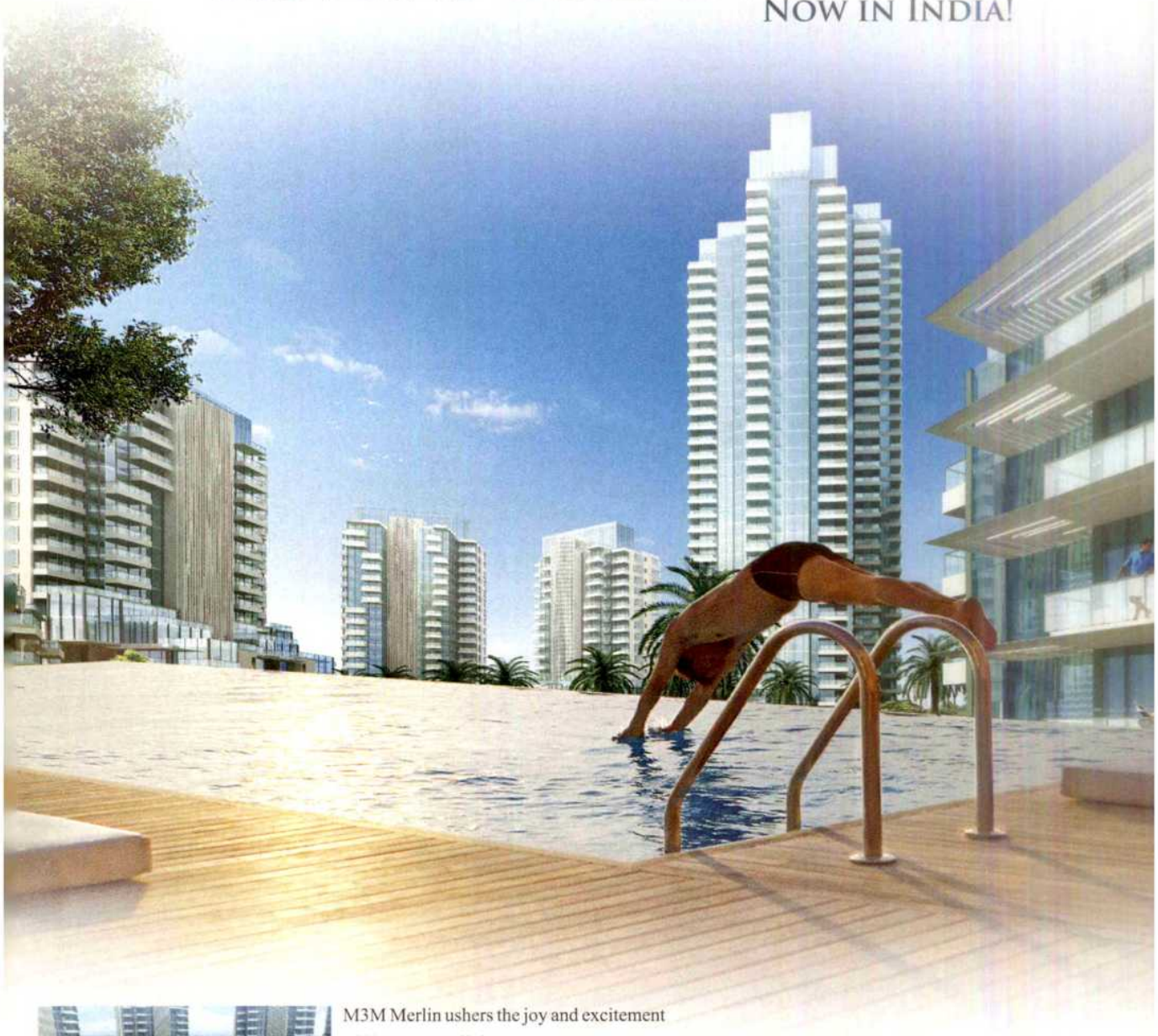

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BT 500 INDIA'S MOST VALUABLE COMPANIES – Index

RANK	COMPANY	PAGE
212	KSK Energy Ventures	94
510	KS Oils	106
921	K Sera Sera	122
553	Kajaria Ceramics	108
998	Kaleidoscope Films	124
358	Kalpataru Power Transmission	100
853	Kalyani Investment Co.	120
827	Kalyani Steels	118
854	Kama Holdings	120
754	Kanani Industries	116
925	Kanoria Chemicals & Inds.	122
190	Kansai Nerolac Paints	92
579	Karma Industries	108
338	Karnataka Bank	98
203	Karur Vysya Bank	94
509	Karuturi Global	106
615	Kaveri Seed Co.	110
964	Kavveri Telecom Products	124
514	Kemrock Industries & Exports	106
412	Kennametal India	102
539	Kesoram Industries	106
528	Kewal Kiran Clothing	106
365	Kingfisher Airlines	100
737	Kiri Industries	114
454	Kirloskar Brothers	104
815	Kirloskar Brothers Invst.	118
969	Kirloskar Electric Co.	124
775	Kirloskar Ferrous Inds.	116
848	Kirloskar Industries	118
355	Kirloskar Oil Engines	100
605	Kirloskar Pneumatic Co.	110
999	Kitex Garments	124
800	Kolte Patil Developers	116
41	Kotak Mahindra Bank	86
820	Kothari Products	118
272	Kwality Dairy (India)	96

L

126	L&T Finance Holdings	90
961	LG Balakrishnan & Bros.	124
106	LIC Housing Finance	90
908	LN Polyesters	122
597	LS Inds.	108
932	Lakshmi Energy & Foods	122
300	Lakshmi Machine Works	96
476	Lakshmi Vilas Bank	104
151	Lanco Infratech	92
12	Larsen & Toubro	86
703	Lloyds Metals & Energy	114
572	Lloyds Steel Inds.	108
565	Lovable Lingerie	108
950	Lumax Auto Technologies	122
813	Lumax Industries	118
67	Lupin	88

M

888	MBL Infrastructures	120
17	MMTC	86
164	MOIL	92
268	MRF	96
842	MSP Steel & Power	118
395	MVL	100
577	Madhucon Projects	108
324	Madras Cements	98
468	Magma Fincorp	104
279	Mahanagar Telephone Nigam	96
755	Maharaja Shree Umaid Mills	116
922	Maharashtra Polybutenes	122
729	Maharashtra Scooters	114
290	Maharashtra Seamless	96
32	Mahindra & Mahindra	86
142	M&M Fin Services	90
600	Mahindra Forgings	108
260	Mahindra Holidays & Resorts	96
418	Mahindra Lifespace Developers	102
116	Mahindra Satyam	90
561	Man Industries (India)	108
587	Man Infraconstruction	108
689	Manaksia	112
955	Manali Petrochemical	124
185	Manappuram Finance	92
562	Mandhana Industries	108
841	Mangalam Cement	118
748	Mangalore Chemicals & Fert	114
95	MRPL	88
812	Marathon Nextgen Realty	118
756	Marg	116
117	Marico	90
37	Maruti Suzuki India	86
857	Mastek	120
197	Max India	92
271	McLeod Russel India	96
656	Mcnally Bharat Engg. Co.	112
830	Meghmani Organics	118
519	Mercator Lines	106
482	Merck	104
714	Midvalley Entertainment	114
781	Minda Industries	116
413	MindTree	102
804	Mirc Electronics	118
942	Modern India	122
862	Money Matters Fin Services	120
252	Monnet Ispat & Energy	96
402	Monsanto India	102
981	Morepen Laboratories	124
604	Moser Baer India	110
128	Motherson Sumi Systems	90
409	Motilal Oswal Fin Services	102
877	Mount Everest Mineral Water	120
120	MphasiS	90
824	Mukand	118
46	Mundra Port & SEZ	86
930	Munjal Showa	122
152	Muthoot Finance	92

N

339	NCC	98
45	NHPC	86
521	NIIT	106
462	NIIT Technologies	104
13	NMDC	86
671	NRB Bearings	112
9	NTPC	86
978	Nahar Industrial Enterprises	124
840	Nahar Spinning Mills	118
746	Nalwa Sons Invsts.	114
543	Natco Pharma	106
64	National Aluminium Co.	88
195	National Fertilizers	92
843	National Peroxide	118
375	Nava Bharat Ventures	100
834	Navin Fluorine Intl.	118
406	Navneet Publications (India)	102
629	Nectar Lifesciences	110
759	Neha International	116
530	Nesco	106
34	Nestle India	86
890	Net 4 India	120
382	Network 18 Media & Invst.	100
732	New Delhi Television	114
79	Neyveli Lignite Corpn.	88
711	Nilkamal	114
836	Nirlon	118
791	Nitesh Estates	116
569	Nitin Fire Protection Inds.	108
871	Nocil	120
674	Noida Toll Bridge Co.	112
289	Novartis India	96
893	Nucleus Software Exports	120
936	Numeric Power Systems	122

O

612	OCL India	110
582	OCL Iron & Steel	108
132	Oberoi Realty	90
657	Odyssey Corporation	112
3	Oil & Natural Gas Corpn.	86
814	Oil Country Tubular	118
43	Oil India	86
785	Om Metals Infraprojects	116
308	Omaxe	98
983	Omnitech Infosolutions	124
463	Onmobile Global	104
826	Optiemus Infracom	118
177	Opto Circuits (India)	92
77	Oracle Fin Services Software	88
663	Orbit Corporation	112
370	Orchid Chemicals & Pharma	100
610	Oricon Enterprises	110
724	Orient Abrasives	114
517	Orient Green Power Co.	106
466	Orient Paper & Inds.	104
110	Oriental Bank Of Commerce	90
644	Oriental Hotels	110
257	Orissa Minerals Development	96
524	Orissa Sponge Iron & Steel	106

P

898	PFL Infotech	120
474	PI Industries	104
788	PNB Gilts	116
741	PSL	114
306	PTC India	98
486	PTC India Financial Services	104
846	PVR	118
311	Page Industries	98
487	Panacea Biotec	104
165	Pantaloon Retail (India)	92
679	Paper Products	112
918	Parabolic Drugs	122
797	Parekh Aluminex	116
810	Parenteral Drugs (India)	118
947	Parrys Sugar Industries	122
337	Parsvnath Developers	98
498	Patel Engineering	104
192	Patni Computer Systems	92
419	Peninsula Land	102
661	Pennar Industries	112
424	Persistent Systems	102
879	Petron Engg Construction	120
103	Petronet LNG	90
211	Pfizer	94
672	Phillips Carbon Black	112
267	Phoenix Mills	96
131	Pidilite Industries	90
173	Pipavav Defence & Offshore	92
481	Piramal Glass	104
147	Piramal Healthcare	90
915	Piramal Life Sciences	122
456	Plethico Pharmaceuticals	104
381	Polaris Software Lab	100
828	Poly Medicure	118
586	Polyplex Corporation	108
963	Polytex India	124
54	Power Finance Corpn.	88
31	Power Grid	86
621	Prabhav Industries	110
811	Pradip Overseas	118
429	Praj Industries	102
512	Prakash Industries	106
911	Prakash Steelage	122
636	Pratibha Industries	110
886	Premier	120
210	Prestige Estates Projects	94
522	Prime Focus	106
303	Prism Cement	98
155	P&G Hygiene & Health Care	92
715	Provogue (India)	114
437	Prraneta Industries	102
325	Punj Lloyd	98
336	Punjab & Sind Bank	98
38	Punjab National Bank	86
364	Puravankara Projects	100

Q

896	Quadrant Televentures	120

R

931	RM Mohite Inds.	122
833	RSWM	118
373	Radico Khaitan	100
459	Rain Commodities	104
627	Rainbow Papers	110
259	Rajesh Exports	96
266	Rallis India	96
744	Ramco Industries	114
399	Ramky Infrastructure	100
62	Ranbaxy Laboratories	88
793	Rane Holdings	116
198	RCF	92
557	Rasoya Proteins	108
648	Ratnamani Metals & Tubes	110
323	Raymond	98
228	Redington (India)	94
294	Rei Agro	96
641	Rei Six Ten Retail	110
765	Relaxo Footwears	116
593	Reliance Broadcast Network	108
96	Reliance Capital	88
72	Reliance Communications	88
532	Reliance Industrial Infra	106
1	Reliance Industries	86
83	Reliance Infrastructure	88
611	Reliance Mediaworks	110
44	Reliance Power	86
154	Religare Enterprises	92
288	Responsive Industries	96
762	Riddhi Siddhi Gluco Biols	116
984	Rollatainers	124
346	Rolta India	98
771	Ruby Mills	116
708	Ruchi Infrastructure	114

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BT 500 INDIA'S MOST VALUABLE COMPANIES – Index

RANK	COMPANY	PAGE
239	Ruchi Soya Inds.	94
66	Rural Electrification Corpn.	88
992	Rushil Decor	124
	S	
618	SE Investments	110
119	SJVN	90
241	SKF India	94
277	SKS Microfinance	96
389	S Kumars Nationwide	100
640	SML Isuzu	110
298	S Mobility	96
607	SPML Infra	110
332	SREI Infrastructure Finance	98
359	SRF	100
531	SRS Real Infrastructure	106
761	Sabero Organics Gujarat	116
341	Sadbhav Engineering	98
959	Sagar Cements	124
795	Sahara One Media	116
777	Saint-Gobain Sekurit India	116
928	Sandesh	122
669	Sandur Manganese & Iron Ores	112
742	Sanghi Industries	114
642	Sanghvi Movers	110
835	Santowin Corporation	118
374	Sanwaria Agro Oils	100
583	Saraswati Industrial Syndicate	108
549	Sarda Energy & Minerals	106
780	Sasken Communication	116
527	Savita Oil Technologies	106
975	Sayaji Hotels	124
774	Seamec	116
628	Selan Exploration Technology	110
56	Sesa Goa	88
891	Seshasayee Paper & Boards	120
865	Setco Automotive	120
796	Shanthi Gears	116
952	Sharon Bio-Medicine	124
773	Shasun Pharmaceuticals	116
609	Shilpa Medicare	110
188	Shipping Corpn. Of India	92
858	Shirpur Gold Refinery	120
478	Shiv Vani Oil & Gas Exploration	104
247	Shoppers Stop	94
698	Shree Ashtavinayak Cine Vision	112
158	Shree Cement	92
448	Shree Ganesh Jewellery House	102
170	Shree Global Tradefin	92
923	Shree Nath Commercial & Fin	122
697	Shree Ram Urban Infra	112
199	Shree Renuka Sugars	92
709	Shrenuj & Co.	114
367	Shri Ganesh Spinners	100
275	Shriram City Union Finance	96
590	Shriram EPC	108
82	Shriram Transport Finance Co.	88
702	Shristi Infra Devp. Corpn.	114
713	Sical Logistics	114
47	Siemens	86
421	Simplex Infrastructures	102
193	Sintex Industries	92
786	Siyaram Silk Mills	116
295	Sobha Developers	96
464	Solar Industries India	104
655	Som Distilleries & Breweries	112
807	Sona Koyo Steering Systems	118
726	Sonata Software	114
287	South Indian Bank	96
683	Southern Petrochem	112
704	Spanco	114
433	Spicejet	102
831	Splash Media & Infra	118
237	State Bank of Bikaner & Jaipur	94
7	State Bank of India	86
269	State Bank of Mysore	96
230	State Bank of Travancore	94
449	State Trading Corpn. of India	102
25	Steel Authority of India	86
962	Steel Exchange India	124
721	Steel Strips Wheels	114
309	Sterling Biotech	98
712	Sterling Holiday Resorts (India)	114
150	Sterling Intl Enterprises	90
28	Sterlite Industries (India)	86
344	Sterlite Technologies	98
343	Strides Arcolab	98
875	Suashish Diamonds	120
730	Subex	114
652	Sudarshan Chemical Inds.	112
391	Sujana Towers	100
987	Sukhjit Starch & Chemicals	124
371	Sun Pharma Advanced Research	100
30	Sun Pharmaceutical Inds.	86
86	Sun TV Network	88
270	Sundaram Finance	96
829	Sundaram Multi Pap	118
619	Sundaram-Clayton	110
445	Sundram Fasteners	102
693	Sunflag Iron & Steel Co.	112
356	Sunteck Realty	100
916	Suprajit Engineering	122
307	Supreme Industries	98
716	Supreme Infrastructure India	114
585	Supreme Petrochem	108
799	Su-Raj Diamonds & Jewellery	116
973	Surana Corporation	124
495	Surana Industries	104
718	Surya Pharmaceutical	114
764	Surya Roshni	116
938	Sutlej Textiles & Inds.	122
946	Suven Life Sciences	122
124	Suzlon Energy	90
534	Swan Energy	106
624	Swaraj Engines	110
516	Symphony	106
149	Syndicate Bank	90
	T	
684	TIL	112
691	TRF	112
770	TTK Healthcare	116
261	TTK Prestige	96
286	TVS Motor Co.	96
900	TVS Srichakra	120
763	TV Today Network	116
596	Taj GVK Hotels & Resorts	108
686	Take Solutions	112
631	Talwalkars Better Value Fitness	110
526	Tamil Nadu Newsprint & Papers	106
115	Tata Chemicals	90
394	Tata Coffee	100
159	Tata Communications	92
4	Tata Consultancy Services	86
550	Tata Elxsi	106
161	Tata Global Beverages	92
282	Tata Investment Corpn.	96
910	Tata Metaliks	122
26	Tata Motors	86
49	Tata Power Co.	86
650	Tata Sponge Iron	110
27	Tata Steel	86
234	Tata Teleservices (Maharashtra)	94
122	Tech Mahindra	90
442	Techno Electric & Engg. Co.	102
430	Tecpro Systems	102
719	Texmaco	114
415	Texmaco Rail & Engg.	102
967	Thanga Mayil Jewellery	124
143	Thermax	90
480	Thomas Cook (India)	104
602	Tide Water Oil Co. (India)	110
779	Tilak Finance	116
633	Tilaknagar Industries	110
436	Time Technoplast	102
753	Timex Group India	116
438	Timken India	102
599	Tinplate Co. of India	108
548	Titagarh Wagons	106
71	Titan Industries	88
176	Torrent Pharmaceuticals	92
102	Torrent Power	90
943	Tourism Finance Corpn.	122
806	Transformers & Rectifiers	118
578	Transport Corporation of India	108
312	Trent	98
825	Trident	118
470	Triveni Engineering & Inds.	104
283	Tube Investments of India	96
313	Tulip Telecom	98
690	Tuni Textile Mills	112
328	TV18 Broadcast	98
	U	
250	UTV Software Communications	94
168	Uco Bank	92
435	Uflex	102
50	Ultratech Cement	86
417	Unichem Laboratories	102
81	Union Bank Of India	88
939	Unisys Softwares & Holding	122
123	Unitech	90
253	United Bank of India	96
485	United Breweries (Holdings)	104
100	United Breweries	88
140	United Phosphorus	90
92	United Spirits	88
688	Unity Infraprojects	112
407	Usha Martin	102
502	Ushdev International	106
696	Usher Agro	112
453	Uttam Galva Steels	104
	V	
447	VA Tech Wabag	102
318	VIP Industries	98
388	VST Industries	100
705	VST Tillers Tractors	114
387	Vaarad Ventures	100
501	Vakrangee Softwares	106
420	Vardhman Textiles	102
580	Varun Industries	108
752	Varun Shipping Co.	116
573	Vascon Engineers	108
637	Venky's (India)	110
665	Veritas (India)	112
545	Vesuvius India	106
594	V-Guard Industries	108
167	Videocon Industries	92
248	Vijaya Bank	94
977	Vikas WSP	124
767	Vinati Organics	116
968	Vindhya Telelinks	124
591	Visa Steel	108
989	Visagar Polytex	124
847	Vivimed Labs	118
638	Voltamp Transformers	110
180	Voltas	92
	W	
331	Wabco India	98
694	Walchandnagar Industries	112
720	Warren Tea	114
238	Welspun Corp	94
751	Welspun India	116
920	Welspun Projects	122
839	Wendt (India)	118
639	West Coast Paper Mills	110
844	Western India Shipyard	118
901	Wheels India	122
258	Whirlpool of India	96
976	Winsome Yarns	124
14	Wipro	86
749	Wire & Wireless (India)	114
206	Wockhardt	94
330	Wyeth	98
	Y	
105	YES Bank	90
	Z	
859	ZF Steering Gear (India)	120
98	Zee Entertainment Enterprises	88
725	Zee Learn	114
850	Zee News	118
892	Zenith Infotech	120
567	Zensar Technologies	108
676	Zodiac Clothing Co.	112
354	Zuari Industries	100
305	Zydus Wellness	98
570	Zylog Systems	108

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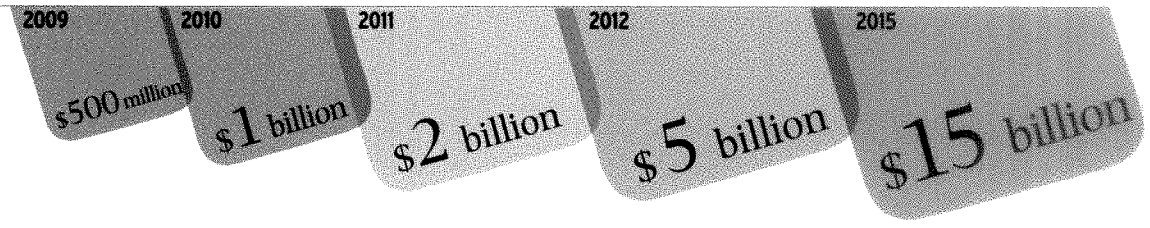
The New Poster Boy

SIZE OF MOBILE ADVERTISING MARKET (excluding SMS advertising)



Source: Industry Estimates

It is Monday morning at Embassy Golf Links' Corporate Park in Bangalore and a view west from the top floors of the mammoth office complex is hundreds of barren acres of Indian Army-owned land, including a firing range. On terra firma, it is an ant farm. Hundreds of employees are rushing to offices of the most storied global technology brands such as IBM, Microsoft, Dell, and Yahoo!

Nestled in the ground floor of a building named Pebble Beach – each building in the complex is named after a famous golf course; this one has as its namesake a course near Palo Alto, California – is the very crowded office of a little known company, InMobi. You are unlikely to have heard of InMobi but if you play Angry Birds on your Android smartphone, it is this Bangalore company that powers the advertisements that pop up on the top right corner of the screen.

Much like in Internet advertising, a mobile advertising company acts as an intermediary between the advertiser and the content owner or publisher. Unlike the Internet, a lot of mobile advertising is on applications, a fad started thanks to the immense popularity of the iTunes App Store for Apple's iPhone. On average, an ad network such as InMobi keeps between 30 and 40 per cent of the revenue per ad, giving the rest to the publisher. The more ad traffic the network serves, the more will advertisers queue up.

Naveen Tewari, the man running InMobi, looks more boyish than his 34 years. He and three co-founders have managed to create a company that should exceed $100 million, or about ₹500 crore, in revenues in 2011. That is small change before the money that Google, the King Kong of online search and advertising, will make from mobile advertising in 2011. Its revenue run rate – the money it would make in a year if business continues as now for the company – for mobile advertising is at $2.5 billion compared with $1 billion made

# of Start-ups

SoftBank has valued Naveen Tewari's InMobi at $1 billion. He is now on a direct collision course with Google.

By KUSHAN MITRA

in calendar 2010. But a scorching growth in the mobile advertising market – Swedish mobile consultancy Berg Insight projects it at some $18.65 billion in 2015 – had the Tewari-run company valued at over $1 billion this September when Japanese media and telecom company SoftBank invested $200 million in it. This is the largest single investment in any Indian digital company. The "partnership," SoftBank founder Masayoshi Son said in a statement, "will help SoftBank become the number one Internet company in Asia". SoftBank has businesses in broadband, telecom, finance and media in Asia, primarily.

Not a one-man show: (From L-R) Amit K. Gupta, Global Head, Business Development; Abhay Singhal, Global Head, Ad Sales; & Mohit Saxena, Head, Technology

Deals of such size among start-ups are not common in India. Private equity firm Warburg Pincus valued mobile phone firm Bharti Televentures (now Bharti Airtel) at $1.5 billion, when the mobile phone firm's business was just five years old, in a 1999 deal.

Such expectations sit lightly on Tewari's shoulders. So what if InMobi is pitted directly against Google, which has a 60 per cent market share today? Even if the Berg prediction for mobile advertising plays out, that sliver will make for only 3.4 per cent of the global advertising market, leaving plenty of headroom even after. InMobi says it is second behind Google with Tewari estimating a market share of more than 10 per cent. "We will be a billion-dollar revenue company within three years," the CEO says. With the company serving up 50 billion advertising impressions every month at last count – double the number it used to do in 2010 – the opportunity to grow huge lies right before this 400-person company, which recently opened its office number 16 in Seoul.

If Tewari succeeds in creating a billion-dollar company within seven years of starting up, it will be a remarkable achievement. Especially, since he nearly flamed out – not once but twice.

Late in 2006, Tewari returned to India after a six-year stint in the United States, where he attended Harvard Business School and for most part worked at consultancy McKinsey & Company and California venture fund Charles River Ventures. But he always wanted to "do something" himself. He had by then convinced two of his closest friends from the Indian Institute of Technology, Kanpur, Amit K. Gupta and Abhay Singhal – from the 2000 and 2001 batches, respectively – that mobile phones were where the future was. Earlier that year, he had convinced Mohit Saxena, an IIT, Roorkee graduate, to become the tech brains at his venture.

The venture was an SMS-based mobile search. With half a million dollars funding from angel funding network Mumbai Angels, mKhoj set up shop in Mumbai in July 2006. But much like other local search companies such as Guruji and AskLaila, things were not easy for the quartet. Mobile search was a grandiose idea, says Tewari today, but the market was not ready for it.

The same proved true about mKhoj Version 2.0, when it changed its model to a mobile-based deals company, specifically for Mumbai. Singhal, who heads global ad sales for InMobi today, talks about the difficulties of sending 50 agents to over 18,000 different stores across Greater Mumbai. "We managed to sign up 3,000 stores, but there were cases of agents running off with money and it became an almost impossible logistical job," he says.

With credit card bills already maxed out, Tewari needed a new idea and fast, and after some frantic discussions among the four founders, it

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INMOBI'S TEWARI

1995-2000: Bachelor of Engineering, IIT Kanpur

2000-03: Consultant, McKinsey & Co., US

2003-05: MBA, Harvard Business School

2006: Self-described 'year of wandering and tinkering', mainly based around Silicon Valley

2007-11: Founded mKhoj, which was renamed InMobi later

He is not your usual 30-something, cocky multi-millionaire. Despite his company being worth around a billion dollars, Naveen Tewari still drives a Honda City and flies Economy Class. His father was a professor at IIT Kanpur and so was his grandmother. "Sometimes I wonder if my family is disappointed I did not become a teacher," he says.

Tewari is persuasive. He managed to not only cajole his co-founders into quitting their jobs and join InMobi, but also persuaded several of his employees to leave their high-paying jobs at Google, Microsoft and Yahoo! and join his company. Nikhil Pahwa, Editor of technology website Medianama.com, goes as far as to say: "Investors are not just investing in InMobi and the idea behind it, they are investing in Naveen Tewari."

Married, with a four-year-old daughter and a son less than a year old, Tewari says he misses his family a lot as he travels 20 days a month, but he knows he is on to something big. He wants to make InMobi a company with over a billion dollars in revenues by 2014/15, well before he turns 40. His confidence and determination are infectious, as is his casual dress sense.

Infosys's N.R. Narayana Murthy has complained about the quality of IIT students. InMobi is an example of what young IIT-ians can do.

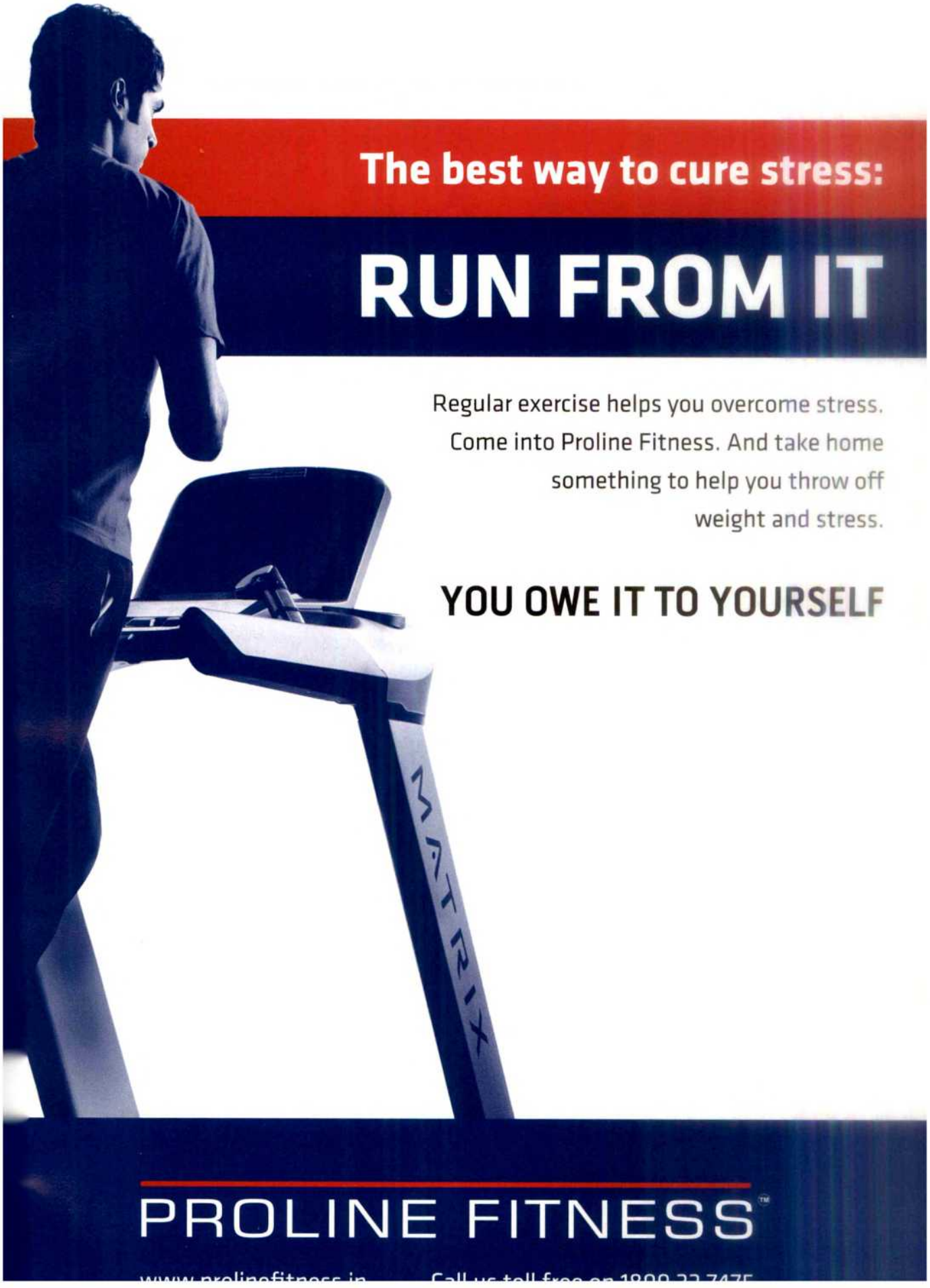
was decided they would give mobile advertising a try. Saxena, who is today Head of Technology at InMobi, says everything began from two rented servers in Mumbai and this carried on while the deals business continued apace.

That was also when Tewari met several venture capital firms, trying to raise money for the latest idea. Most shot him down, sometimes after day-long presentations. In May 2007, a meeting with Ajit Nazra of Kleiner Perkins Caufield & Byers, or KPCB, the firm that bankrolled the likes of Google and Amazon, and Ram Shriram of Sherpalo Investments changed all that. Less than half an hour later, Tewari walked out with a deal for an investment of $8 million. In less than six months, the company "picked up the tent-poles and moved to Bangalore to chase talent," says Tewari.

The smarts of the core team attracted talent, often from multinationals. For instance, IIT Madras graduate Sridhar Ranganathan, today Vice President, Product Management, InMobi, who had led the maps development teams at Yahoo! At all multinationals, he says: "There is a 'headquarters' and 'the rest' distinction. At Yahoo!, it was Sunnyvale and the rest. After talking to many of my friends I feel it is the same at Mountain View (where Google is headquartered) and Redmond (Microsoft)." InMobi, on the other hand, was a company creating a global product from India. "I wanted in and I got in." Of InMobi's 13 top executives today, including the four founders, three are from Yahoo! and three from Google.

By early 2008, mKhoj – it changed its name to InMobi in 2010 – was receiving validation. The nature of the mobile advertising business had allowed it to register a presence in nine countries from the very beginning. "We wanted to be a global company. We had seen what happens when you keep your focus narrow, and we were not making the same mistake," says Tewari. The company quickly expanded its reach to 25 countries, including the US and Japan, with Tewari, Singhal and Gupta criss-crossing the world and Saxena rapidly evolving the technology for scale.

InMobi's first customer in the US was mobile video site VuClip. Ashwin Puri, VuClip's Global Head for Advertising, says: "For a mobile Internet portal of our scale that gets traffic from over 200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countries, effectively monetising through ads is all about being able to optimise eCPMs (effective cost per thousand impressions), network latencies and fill-rates. InMobi's global footprint helps us increase monetisation across geographies."

Gupta, Vice President, Business Development, says it helped that InMobi began early in the game. It was actually not so early. Omar Hamoui had started mobile advertising pioneer AdMob in California in 2006. Before 2009 ended, Google had bought out AdMob for $750 million. InMobi was no longer competing with a well-funded rival start-up, it was competing with the big daddy of the Internet advertising space.

At InMobi, the focus remains singularly on cranking up mobile ads: it generates around 50 billion ad impressions every month and serves over 100,000 mobile websites and applications. Insiders say the company is on the verge of making profits, but an aggressive expansion strategy might mean a few more years of belt-tightening. As Google's purchase of AdMob was being completed, InMobi raised an additional $10 million from KPCB and Sherpalo. "Mobile advertising is a huge opportunity the world over as consumers shift to using smartphones and tablets, and InMobi is a global player," says Sherpalo's Shriram on email.

Sure, the Bangalore company counts the US as its biggest market, but its strategy to focus on Asia and Africa as well is paying off. In Indonesia, Asia's biggest market for third generation phones that offer high-speed data, InMobi is extremely strong; India makes for five per cent of its revenues. So too does Japan. Tewari says the US and Europe will remain big markets but main battles will be fought elsewhere – and financed through the $200 million infusion. "Once we use this money to grow, it could change our profitability timelines but this money pretty much guarantees that InMobi will be around for years to come," says Sharat Khurana, Vice President, Finance.

If the SoftBank funding ensures longevity and finances the tearing expansion that InMobi is undertaking – and mobile advertising continues to grow like it is doing – InMobi could be the answer to the 'When will India produce a Google' question asked often in Indian boardrooms and living rooms alike. ◆

InMobi SNAPSHOT

What is InMobi?
It is a Bangalore-based company that runs a mobile advertising platform. It started as mKhoj, a mobile search company in early 2007.

How does InMobi make money?
By taking a 30 to 40 per cent cut on payments for ads that they help display on mobile websites. While each ad might cost a fraction of a paisa, by serving up 50 billion ad impressions every month, InMobi is on the verge of profitability.

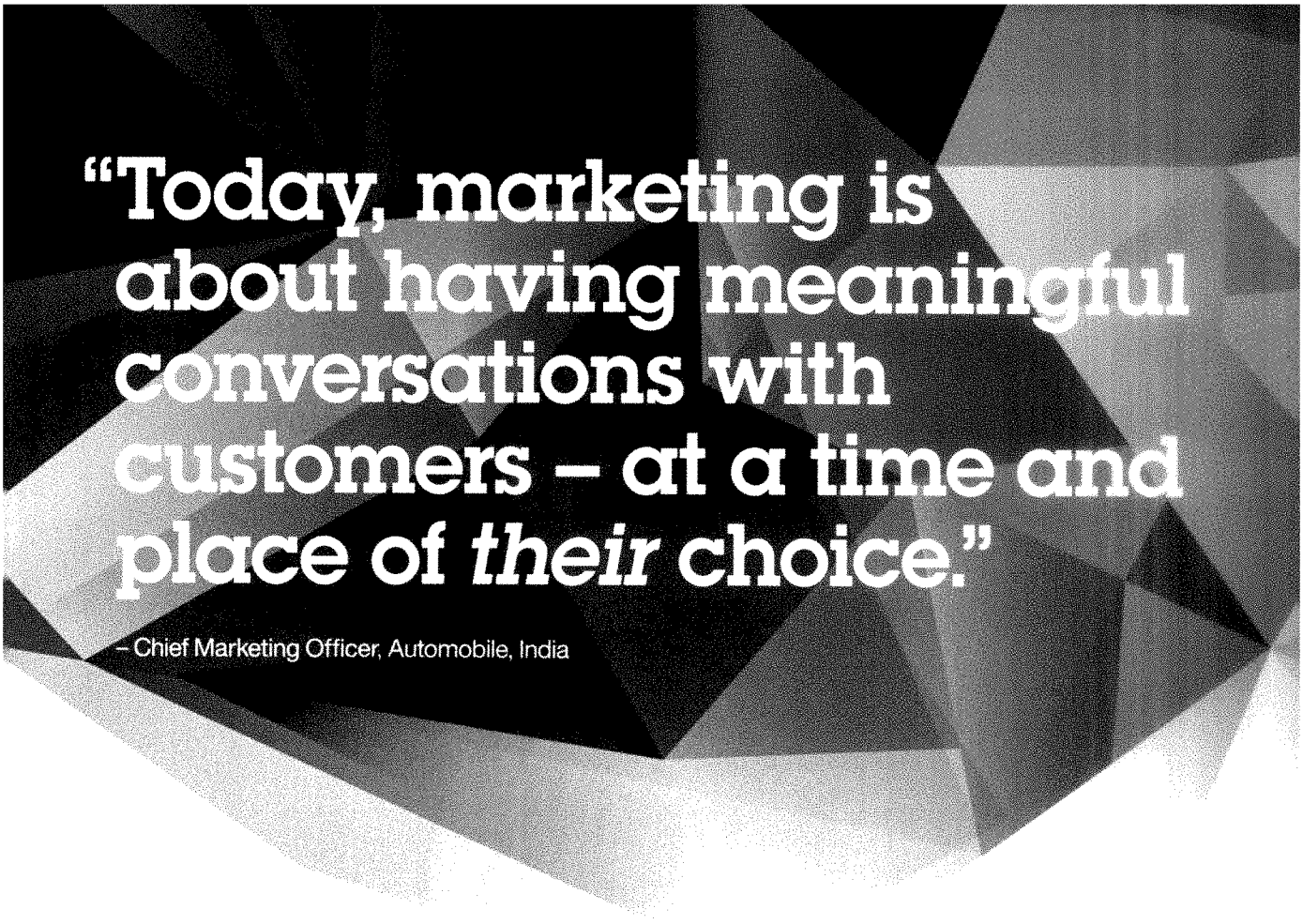
How is InMobi different from other ad networks?
While InMobi claims its technology is superior, in this game a lot depends on how many advertisers and publishers are on your platform. InMobi has grown superfast: it has 16 global offices and over 100,000 publishers and advertisers in 205 countries. In this business, size begets size. Ask Google.

Why is InMobi in this magazine?
SoftBank invested $200 million in it this September– one of the largest investments anywhere in the world this year.

What attracted SoftBank to InMobi?
It is the only independent ad network out there with some scale. And, it is growing capabilities: it recently launched PaySmart, a mobile payments platform in 25 countries (not India), and acquired 'Sprout', a company that designs in HTML5 to help advertisers create landing pages as well as innovative ads on mobiles and tablets.

Can InMobi hit $1billion revenues before 2015?
If it maintains its 10 per cent market share, yes. The global mobile ads industry is predicted to touch $15 to 20 billion by then. Unless someone makes it an offer it can't refuse.

Masayoshi Son of SoftBank



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Marico is entering the skincare market, which is under-penetrated

Saugata Gupta,
CEO, Consumer Products Business, Marico

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Parachuting into Skincare

Marico jumps, but the landing may not be smooth.

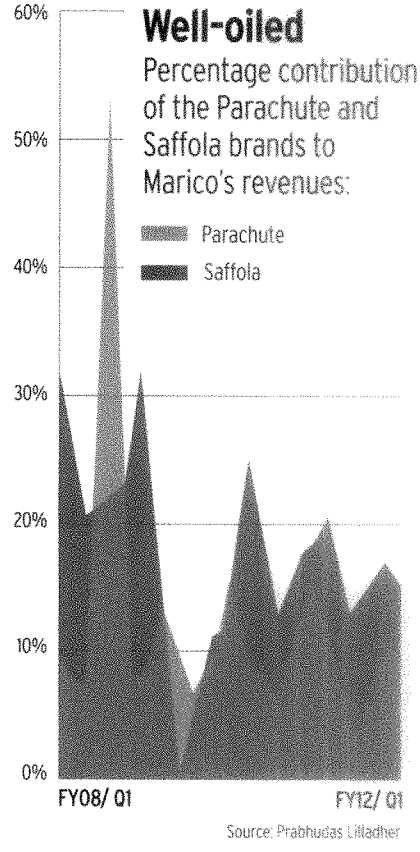
By ANUMEHA CHATURVEDI

On September 15, Marico did something it had never done before. The ₹3,130-crore consumer products company told the Bombay Stock Exchange, where its stock is traded, that its earnings could fall short of expectations in the coming quarters. Rising input prices, primarily of copra, were to blame. Political instability in some of Marico's key overseas markets in West Asia and North Africa, and an economic slowdown at home would also take their toll.

Naturally, the revelation saw Marico's stock dropping more than 10 per cent the next day, marking its sharpest intra-day fall in three years. In the same month, in spite of margin pressures, the company also announced an entry into the skincare market, riding on the back of its successful ₹200-crore Parachute Advansed brand, which has been its flagship for years. "Parachute is an extremely successful brand and making an entry into skincare through it is the only way to do it," says Naveen Trivedi, Assistant Vice President at investment advisory firm, Pinc Research. "Launching another brand can take a significant amount of money and time, and people might not recognise it as a Marico brand."

One product has so far been launched: the Parachute Advansed body lotion, which hit the stores in September in two variants, 'dry skin' and 'all season'. Parachute coconut oil and Parachute Advansed hair oil together contribute about 45 per cent to the company's overall revenues.

Once before, seven years ago, Marico had sought to push Parachute Advansed beyond hair oil. The foray was not a success. Parachute Shampoo was test launched in one market, but it fared so badly that it was withdrawn. A similar effort with Saffola – Marico's popular edible oil brand, with a 56.7



BRANCHING OUT

Marico's first skincare product is 'Parachute Advansed Body Lotion', in two variants: 'dry skin' and 'all season'

The current penetration of the body lotion segment of the skincare market is only about 16 per cent. Marico hopes to expand this untapped market

The skincare market is pegged at ₹5,000 crore and is growing at 15 to 20 per cent annually

HUL's Lakme, Vaseline and Pond's are the leading brands in the category

per cent share in the super premium category – also bombed. The company introduced baked salted snacks under the brand Saffola Zest, but it failed to impress.

Marico's urge to diversify is understandable. With its chain of Kaya Skin Clinics making losses, it depends almost entirely on Parachute and Saffola to bring in the profits. The company has been consistently working to increase the share of food products to overall revenues. "Currently, the oils category contributes about 90 per cent to Saffola franchise revenues, and the food category contributes about 10 per cent. We want to change that to 75 per cent and 25 per cent, respectively, in three to four years," says Saugata Gupta, CEO, Consumer Products Business, Marico.

One recent diversification effort has been successful: taking the Saffola brand into breakfast cereals and packaged rice. Within a year of its launch, Saffola Oats has achieved a market share of 16 per cent. The rice, Saffola Arise, is doing well, too. Both are expected to garner around ₹40 crore in annualised sales.

Will Parachute skincare products repeat the feat? Making a dent in the ₹5,000-crore skincare market may not be as easy. It is currently dominated by the world's largest consumer products company, Unilever, with brands like Lakme, Fair and Lovely, Vaseline and Pond's. Vaseline and Pond's together occupy more than 50 per cent of the market.

But the market is growing, which gives new entrants a chance. "The skincare market has witnessed seamless expansion with sub-categories like facial complexion lightening and anti-ageing creams reporting growth in excess of 20 per cent," says Gautam Duggad, Consumer Analyst at investment firm Prabhudas Lilladher.

Gupta outlines Marico's reasoning behind the foray. "The body lotion segment of the skincare market is currently 'underpenetrated'. The penetration is about 16 per cent and it is growing at a fast clip. This provides headroom for growth, with a differentiated proposition."

Yet challenges certainly remain, as Vismay Sharma, Director, Consumer Products Division at personal care products giant L'Oreal India, points out. "Retail is a highly dispersed category with 1.8 million stores in urban India," he says. "Product display and adequate stocking are also challenges due to clutter and space issues."

In response, skincare brands are constantly innovating to stay ahead. If L'Oreal is introducing cheaper variants in smaller quantities in a bid to widen the distribution reach of products like Garnier Light, Emami is planning at least three to four variants of Boroplus and Fair and Handsome this year. Dabur, too, entered the facial care products category in January this year. "Constant innovation, in terms of products, ingredients, marketing, packaging and delivery systems, are critical for success in this market," says Harsh V. Agarwal, Director of Emami. Marico is doing the same. "Unlike other products which use petroleum jelly, Parachute Advansed Body Lotion uses 100 per cent natural moisturisers," says Gupta. "It will be the first skincare product in the market to have coconut milk as its primary ingredient."

If the skincare venture fails, Marico will certainly suffer a knock, but the financial risks are negligible. "Most companies invest very little," says Duggad of Prabhudas Lilladher. "They start with a test launch. More investments come in only when the initial launch succeeds. The failure of one product category will have little or no impact on Marico's financial performance, as it has a solid portfolio of other established products." ◆

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NISHIKANT GAMRE

On a Roll

Ethnic food chains are aiming for the big time, and investors are pouring money into them.

By E. KUMAR SHARMA

FAASO'S FOOD SERVICES

Co-founder and CEO: Jaydeep Barman

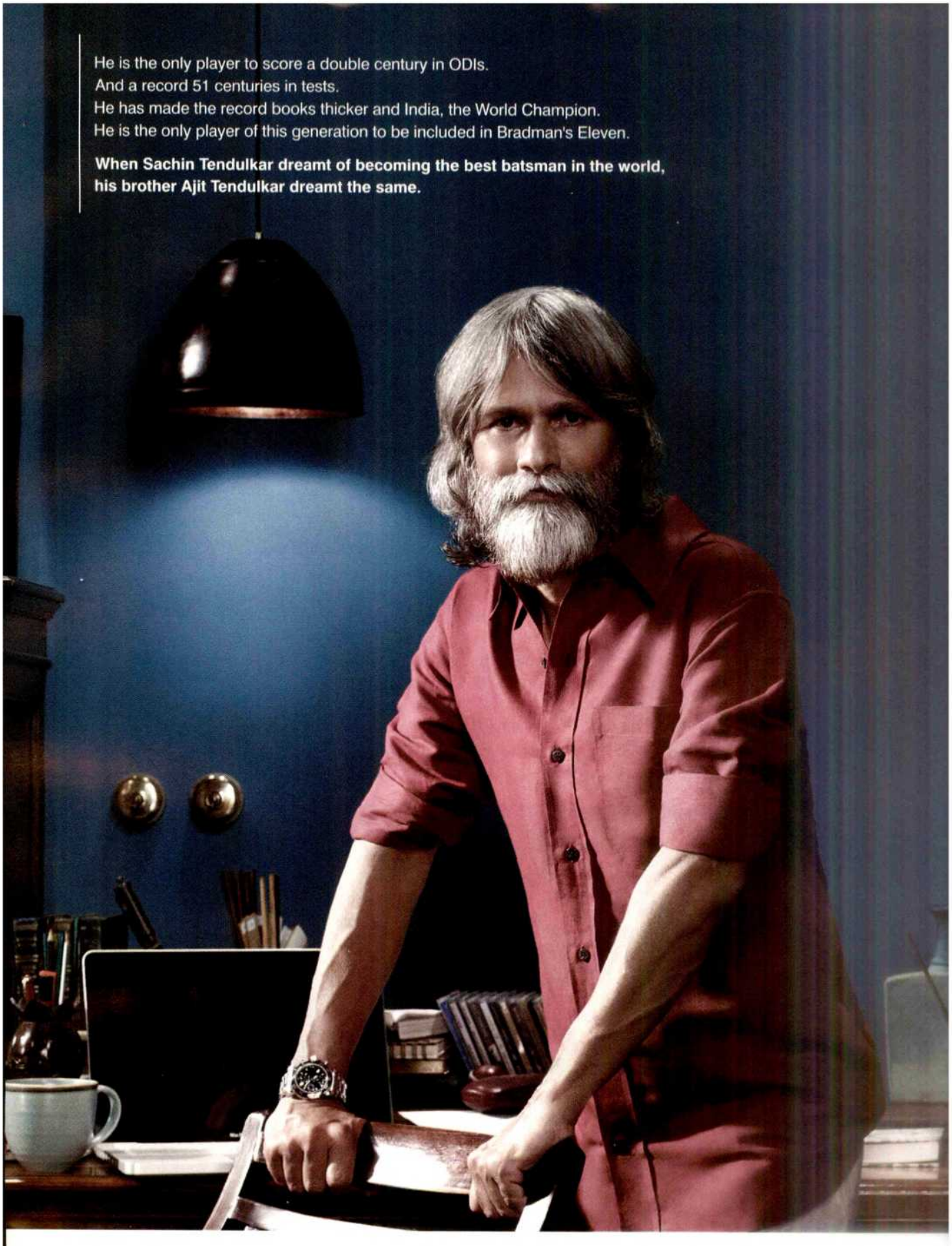
Investors: Sequoia Capital invested ₹22 crore in September 2011

Business goal: 200 outlets in major cities by April 2014

The vada-pav – a fried potato patty tucked in a bread roll – may have started out as the humble fare of Mumbai's working class, but it has lofty ambitions. Sarath Naru, Managing Partner at venture capital and private equity fund VenturEast, which invested ₹21 crore in the Goli Vada Pav chain in August, says the company "could list on the stock exchange in five years, and be a leading player in the Indian fast food market".

Indian 'street food' has come a long way from the kerbside shack. Goli Vada Pav, which started in 2004 in Kalyan, near Mumbai, now has 125 outlets in not only Bangalore, Hyderabad, Mumbai and Pune, but also locations such as Satara and Kolhapur in Maharashtra; Hubli and Belgaum in Karnataka; and Coimbatore in Tamil Nadu. The focus, says co-founder and CEO Venkatesh Iyer, is on a delivery model that can be rapidly scaled up. He is aiming for 500 outlets in five years.

Private equity investors have been paying close attention. "We watched Goli Vada Pav for two years," says VenturEast's Naru. "What appealed to us was that they had worked on the back end, had a committed team, created a market outside Mumbai,



Your dreams are not yours alone

यूनियन बैंक ऑफ इंडिया Union Bank of India

and were in the ethnic fast food business, which has huge growth potential."

Naru is not the only one who smells an opportunity. G.V. Ravi Shankar, Managing Director, Sequoia Capital India, recently invested $5 million (₹22 crore) in Faaso's, a Mumbai-based chain set up in 2004, that serves wraps with a desi flavour, such as paneer tikka and paneer reshmi. Sequoia has been in the space earlier – its $20-million investment helped Cafe Coffee Day grow into a 1,200-outlet chain. What attracted Ravi Shankar to Faaso's, besides its dynamic team, was its focus on execution and scalability. "Faaso's is a young company with 16 outlets in two cities, and we are willing to work with them for five to seven years – whatever it takes," says Ravi Shankar. In five years, he says, it could have more than 300 outlets.

Faaso's co-founder and CEO Jaydeep Barman, a former associate principal at McKinsey & Co in London, says the company plans to have 200 outlets in the National Capital Region, Bangalore, Hyderabad, Pune and Mumbai by April 2014. Set up in 2004 with seed capital of ₹8 lakh, Faaso's is opening a new store practically every month, at a cost of ₹10 lakh to ₹20 lakh each. Barman says the pace of growth may increase to three outlets a month by April 2012, and by 2014, Faaso's will need a fresh round of funding for nationwide expansion.

The fast food business is generally focused on a single product, and has a supply chain that can be scaled up. It is asset-light, with modest real estate requirements. For takeaway and delivery, real estate costs are about 10 to 12 per cent of sales – lower than the 15 to 20 per cent for outlets that offer seating and ambience.

Bangalore-based Kaati Zone, which serves kathi rolls – a filling rolled in a roti or naan – has a central kitchen that supplies frozen ingredients to its 17 franchise outlets. "In 2010, we developed a store template with simplified operations and a focus on takeaway," says Kiran Nadkarni, founder and CEO, Kaati Zone. "We can set up an outlet in four weeks flat." Depending on the location, he says, a franchisee can recover costs within 20 months.

Vinay Nagpal, Director, Des Amis

GOLI VADA PAV

Co-founder and CEO
Venkatesh Iyer

Investors:
VenturEast has invested **₹21 crore** in August 2011

Business goal:
500 outlets across the country in five years

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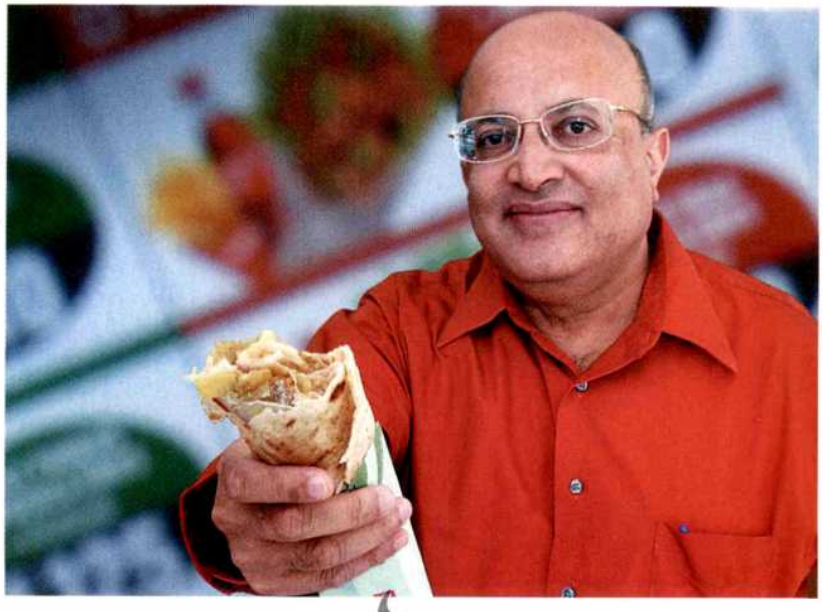

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Foods, who set up a franchise in Chennai in August 2010, says he hopes to recover his cost – around ₹25 lakh – by August 2012. Nadkarni aims to have 800 to 1,000 outlets nationwide in five years, and says he sees no problem raising funds.

So why has the chain, which started in 2004, not added a single new store in the past year and a half? Nadkarni says that the focus has been more on building scalability than on adding outlets. "Now that we have attended to scalability issues, we are expanding," he says.

KAATI ZONE

Founder and CEO
Kiran Nadkarni

Investors:
Accel India, Draper Investment Company, and Ashish Gupta, co-founder and Senior MD, Helion Venture Partners, invested an undisclosed amount in late 2007

Business goal:
800 to 1,000 outlets nationwide in five years

For early entrants, there was no alternative to trial and error. "We had a central kitchen in Dombivli, east of Mumbai, from where patties were delivered in refrigerated vans," says Iyer of Goli Vada Pav. At his first shop, the production process was manual, he says. "The product had no shelf life. There were wastage and standardisation issues." In 2006, he approached Vista Processed Foods India, the ₹150-crore Indian arm of the Chicago-based OSI Group which makes burger patties for McDonald's India, to procure ready-to-fry patties. Vada-pav production was reinvented, with X-rays and metal detectors. "Our product is standardised, with a six-month shelf life when kept frozen," says Iyer.

Outsourcing may have saved crores for Goli Vada Pav, by eliminating the need for a centralised kitchen, but it makes sense for Faaso's, which runs its own outlets. Currently, Faaso's outlets are supplied marinated ingredients, but the company expects to have some 300 outlets in the next four to five years, so it is planning centralised supply and storage. CEO Barman says he expects new outlets to start making profits within 12 months. Talk about a fast buck. ◆

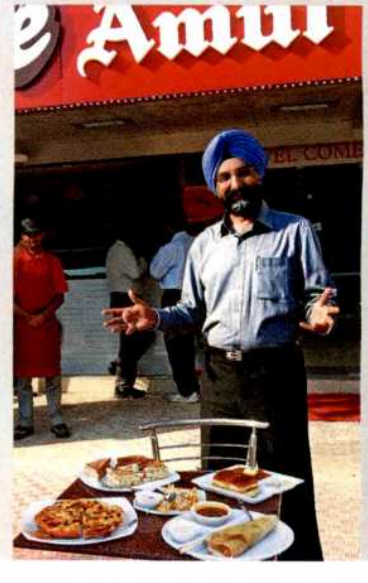
A Piece of the Pie

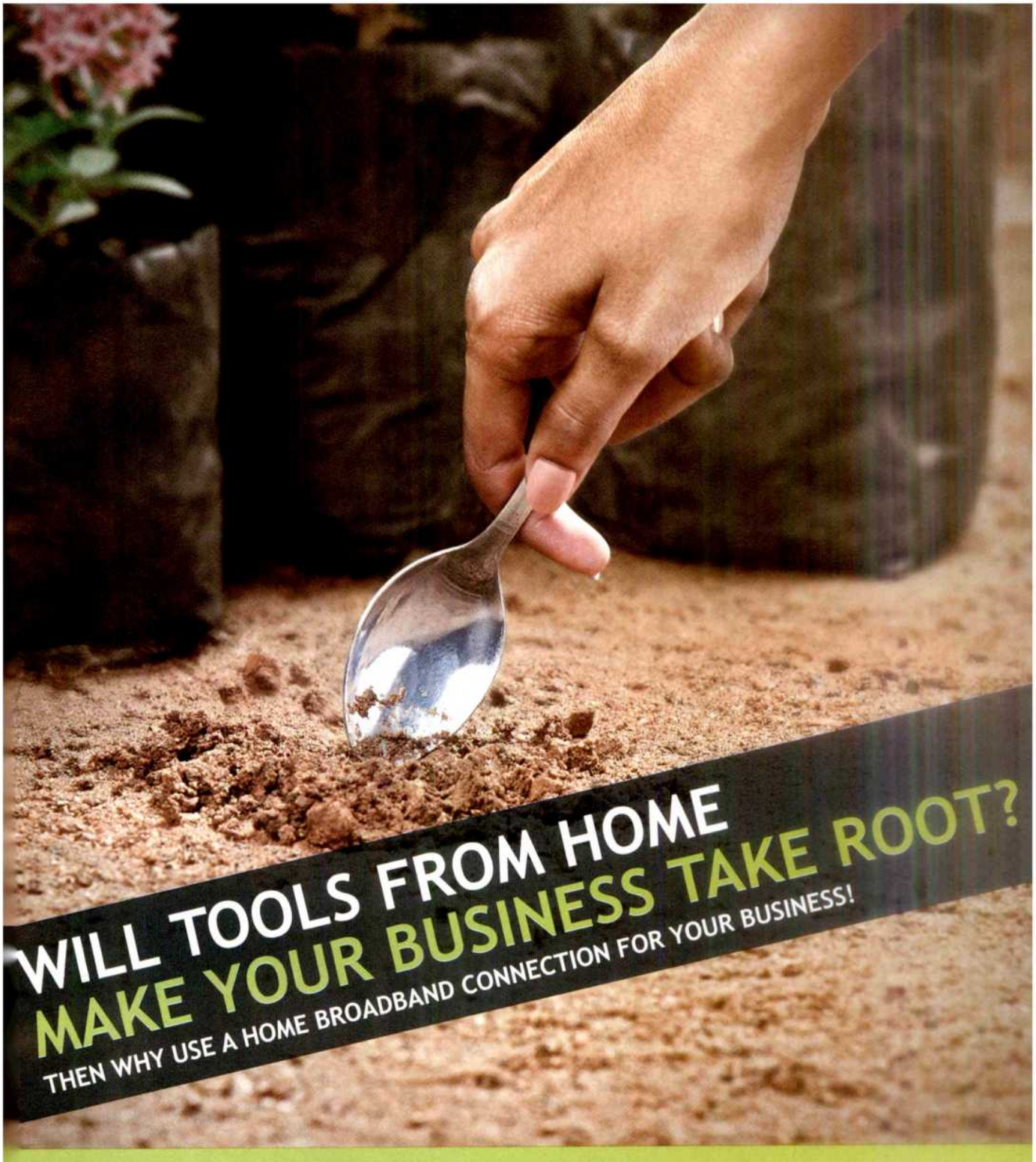
Milk producer Amul and Mukesh Ambani's Reliance Industries have set their sights on the fast food business. Asked about news reports that Reliance was in talks with Warren Buffett's Berkshire Hathaway to launch its Dairy Queen brand in India, a Reliance official said: "It is still early to comment, but yes, we are looking at quick service restaurants."

The Gujarat Co-operative Milk Marketing Federation, which owns the Amul brand, has tested two outlets, called Café Amul, in Ahmedabad. In October, it opened a franchise each in Ahmedabad and Bangalore. Offerings include pav-bhaji, pizza, burgers and ice cream. "It is a natural fit with our dairy business," says R.S. Sodhi, Managing Director of the Federation. "We plan 10 more franchise outlets by March 2012." Amul's sales turnover in 2010/11 was ₹10,762 crore.

Quick service restaurant sales, estimated at $10 billion to $13 billion, are growing by 25 per cent a year. Unorganised players account for some 90 per cent of sales. No wonder big brands are making eyes at the sector.

Amul MD R.S. Sodhi





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Shaking it up

Besides funding, the milk sector is gaining knowhow. But policy fixes are needed.

By MANASI MITHEL

SAPTARSHI BISWAS/www.indiatodayimages.com

"The number of corporate farms with more than 1,000 animals is probably less than 10. I think within five years we will get to 100. There is great opportunity."

Jasbir Singh Khangura, MD, Macro Dairy Ventures

A 45-minute drive from Ludhiana, Punjab, is the village of Majara. As its undulating fields of golden grain attest, most of its 4,000 residents are farmers. But they are the minority – the other denizens of Majara are 7,000 pampered Holstein-Friesian cows, who live in high-tech sheds with fans to keep them cool and computers to monitor their diet. Visitors cannot touch the cows without washing their hands and disinfecting the soles of their shoes first. This 60-acre bovine heaven is one of the 13 farms of Macro Dairy Ventures. The company produces up to 60,000 litres of milk daily. "Every drop is milked in computerised parlours.

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Rising Consumption...

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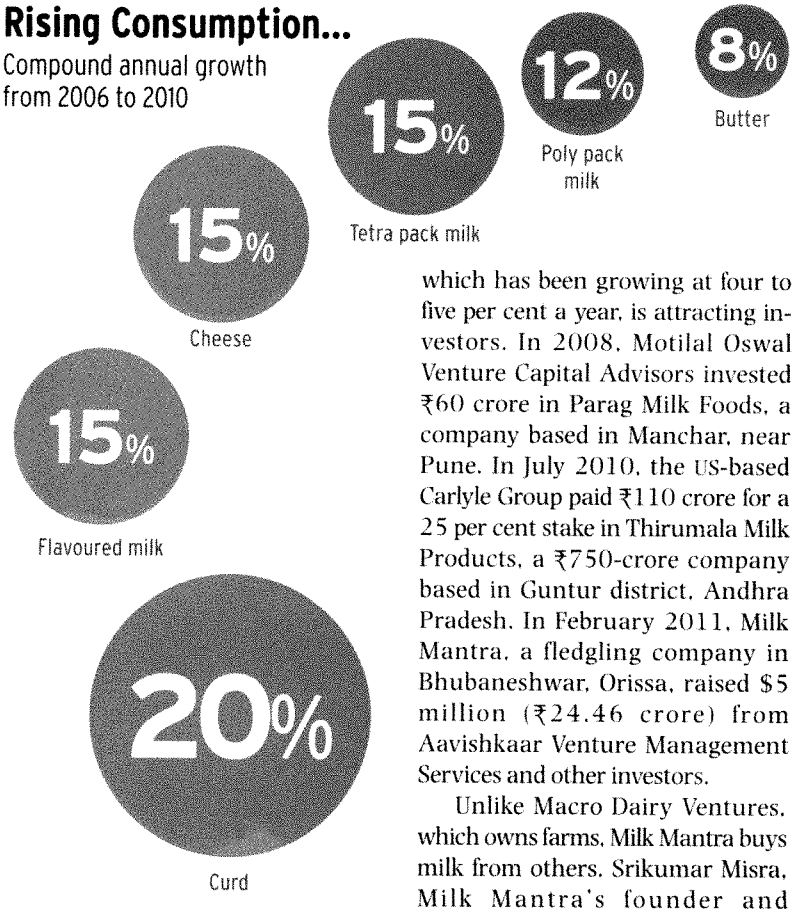


and not by hand," says Jasbir Singh Khangura, Managing Director, Macro Dairy Ventures. An Oxford University graduate, he has experience as a hotelier and is a legislator.

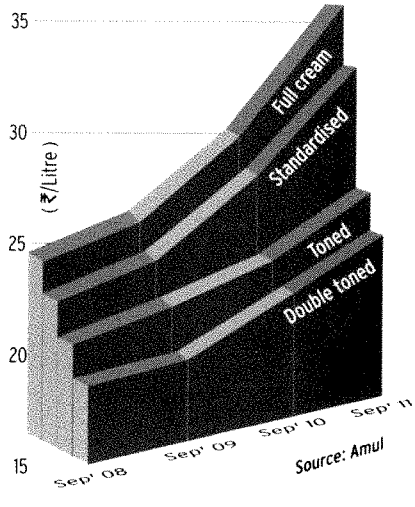
Indians are consuming more milk than ever. Prices are up more than 10 per cent since March, according to some estimates. R. G. Chandramogan, founder and Managing Director of Chennai-based dairy company Hatsun Agro Product, dismisses as a "white lie" the government estimate of six per cent growth in demand and a shortage of some three million tonnes a year. He says it is the unchecked export of oil cake, the main ingredient of cattle feed, that is responsible for rising prices.

However, demand is increasing, not just for milk but also for branded dairy products. And consumers are willing to pay. Macro Dairy recovers some of the cost of mollycoddling its cows from retail buyers who willingly pay six or seven rupees over the average price per litre of milk in Ludhiana – and even more in Delhi – for its products sold under its TruMilk brand.

Not everyone is focusing on the premium segment. An example of how aggressively the private sector is targeting all levels is the fact that municipal schools in Mumbai are procuring milk at concessional rates from a private company for their 450,000 students, while the number of institutions that get their supply from the once-popular state-run Aarey Dairy has plunged from 450 to 130. Aarey cannot match private players' concessions.

No wonder the dairy industry,

...and Prices



which has been growing at four to five per cent a year, is attracting investors. In 2008, Motilal Oswal Venture Capital Advisors invested ₹60 crore in Parag Milk Foods, a company based in Manchar, near Pune. In July 2010, the US-based Carlyle Group paid ₹110 crore for a 25 per cent stake in Thirumala Milk Products, a ₹750-crore company based in Guntur district, Andhra Pradesh. In February 2011, Milk Mantra, a fledgling company in Bhubaneshwar, Orissa, raised $5 million (₹24.46 crore) from Aavishkaar Venture Management Services and other investors.

Unlike Macro Dairy Ventures, which owns farms, Milk Mantra buys milk from others. Srikumar Misra, Milk Mantra's founder and Managing Director, recalls that two years ago, when he approached investors in London, they said sourcing from scattered farmers would be impossible. "When we started in April 2011, we had only 40 farmers," says Misra. "But now we have more than 1,000." Milk Mantra plans to launch its own brand in a year and a half.

Multinational companies such as Nestlé, Danone and GlaxoSmithKline are scaling up, too. New Zealand-based Fonterra is drawing up plans for a big dairy in Andhra Pradesh in collaboration with the Indian Farmers Fertiliser Co-operative, or IFFCO, and Global Dairy Health, a company of the Delhi-based Apeejay Group. Girish Aivalli, Group Executive Vice President and country head for agribusiness at Yes Bank, says that in the past year, his division has done studies for not just Fonterra but also four Indian companies keen

GRAPHICS BY SANTOSH

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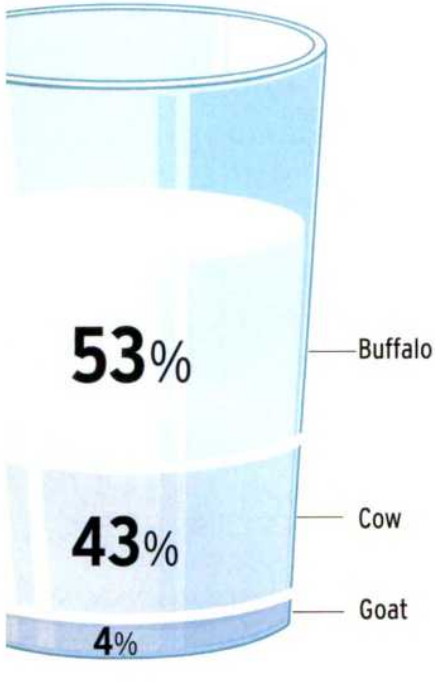
"The difference between 2005 and now is that in 2005, there were many co-operatives and not as many private players. Now you have more private Indian players."

Michèle Janezic, MD, Michèle Janezic Agency

Where it Comes from

Percentage of total milk production by source



to set up dairy operations.

But more herds and dairies are not enough to increase production. Although India is the world's largest milk producer, its cattle are not very productive. Herd management and nutrition are crucial to the development of India's dairy sector, says Tony Evangelo, Area Director of Marketing at World Wide Sires, which markets embryos and semen.

Consultant Michèle Janezic, who advises French companies on investing in India as Chairman and Managing Director of the Michèle Janezic Agency, is trying to fill precisely this gap through her Jeev Mantra charitable trust. With the support of Danone Ecosysteme Fund, an endowment set up by French food giant Danone, the trust plans to set up a dairy farm in Haryana, to supply milk to the French company. Haryana has a high density of cattle, and many small part-time farmers – with five animals or less – at the mercy of middlemen. "We have started milk procurement now, and the farm will be set up by 2012," says Janezic.

Government policy is also crucial to dairy development. Populist moves such as banning the export of milk powder, for example, hurt marginal producers and do nothing to check rising prices, because less than one per cent of milk production is exported, says R.S. Khanna, a Director of Kwality Dairy (India).

"The number of corporate farms with more than 1,000 animals is probably less than 10," says Macro Dairy's Khangura. "I think within five years we will get to 100. So in terms of producing more and better milk, there is great opportunity." ◆

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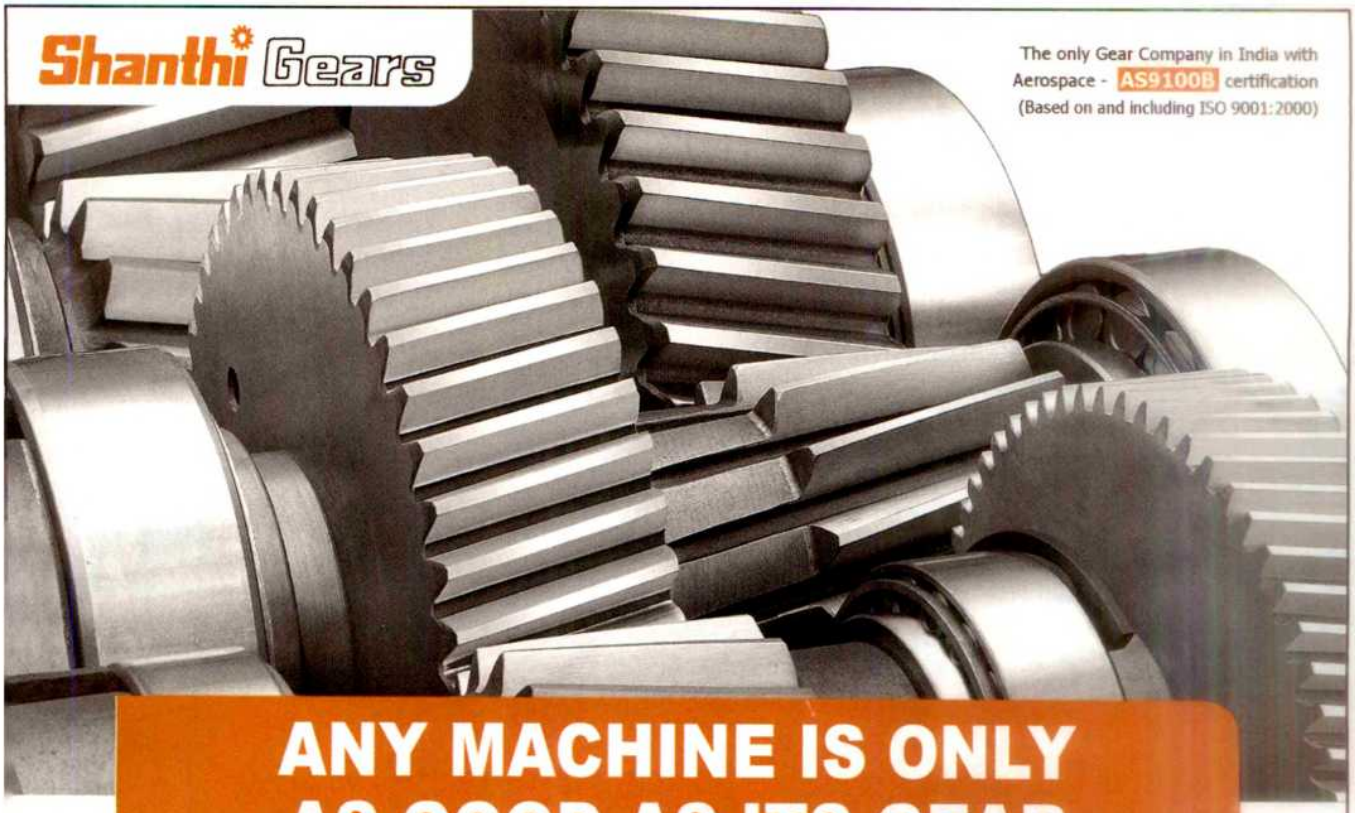

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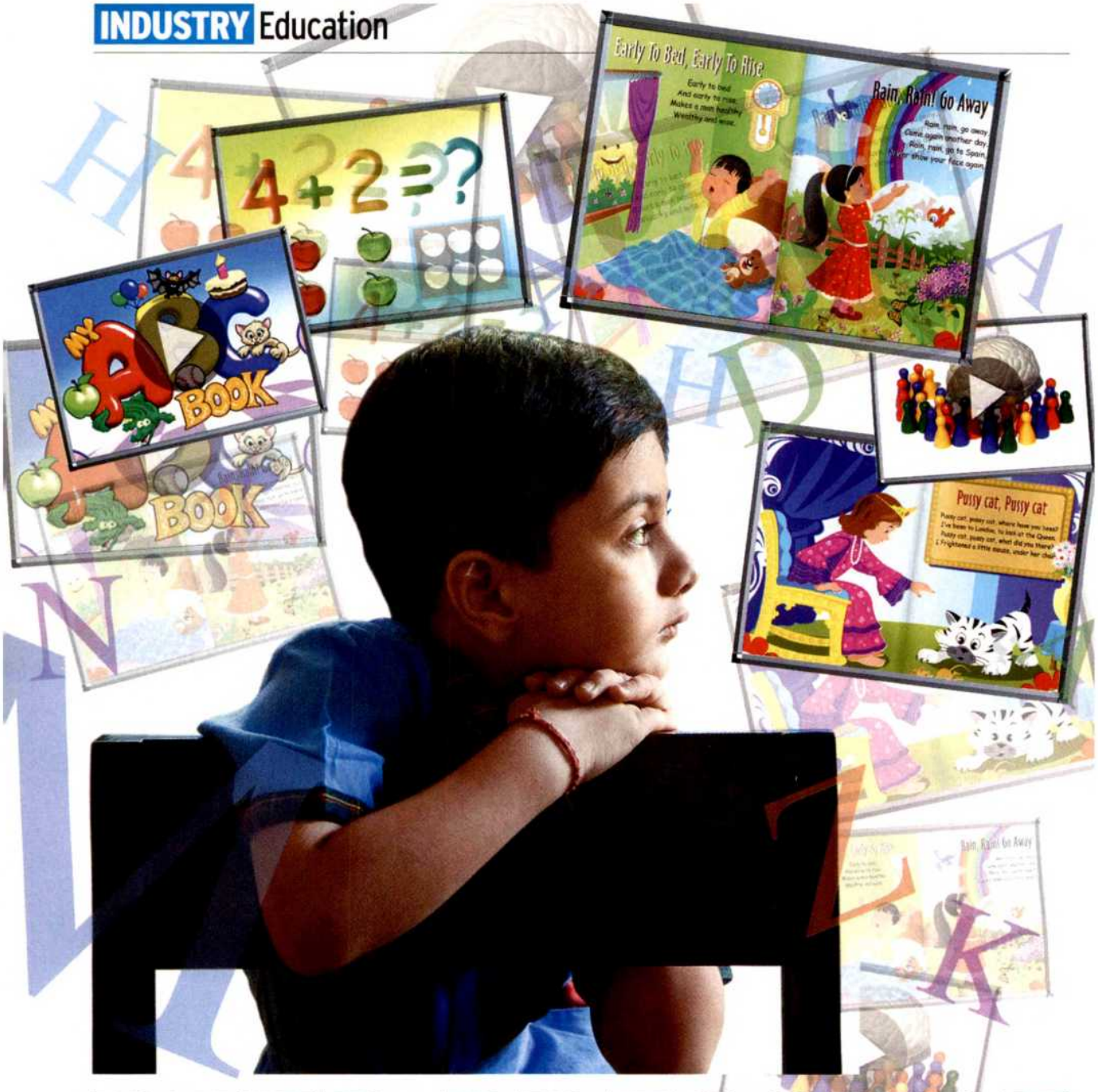
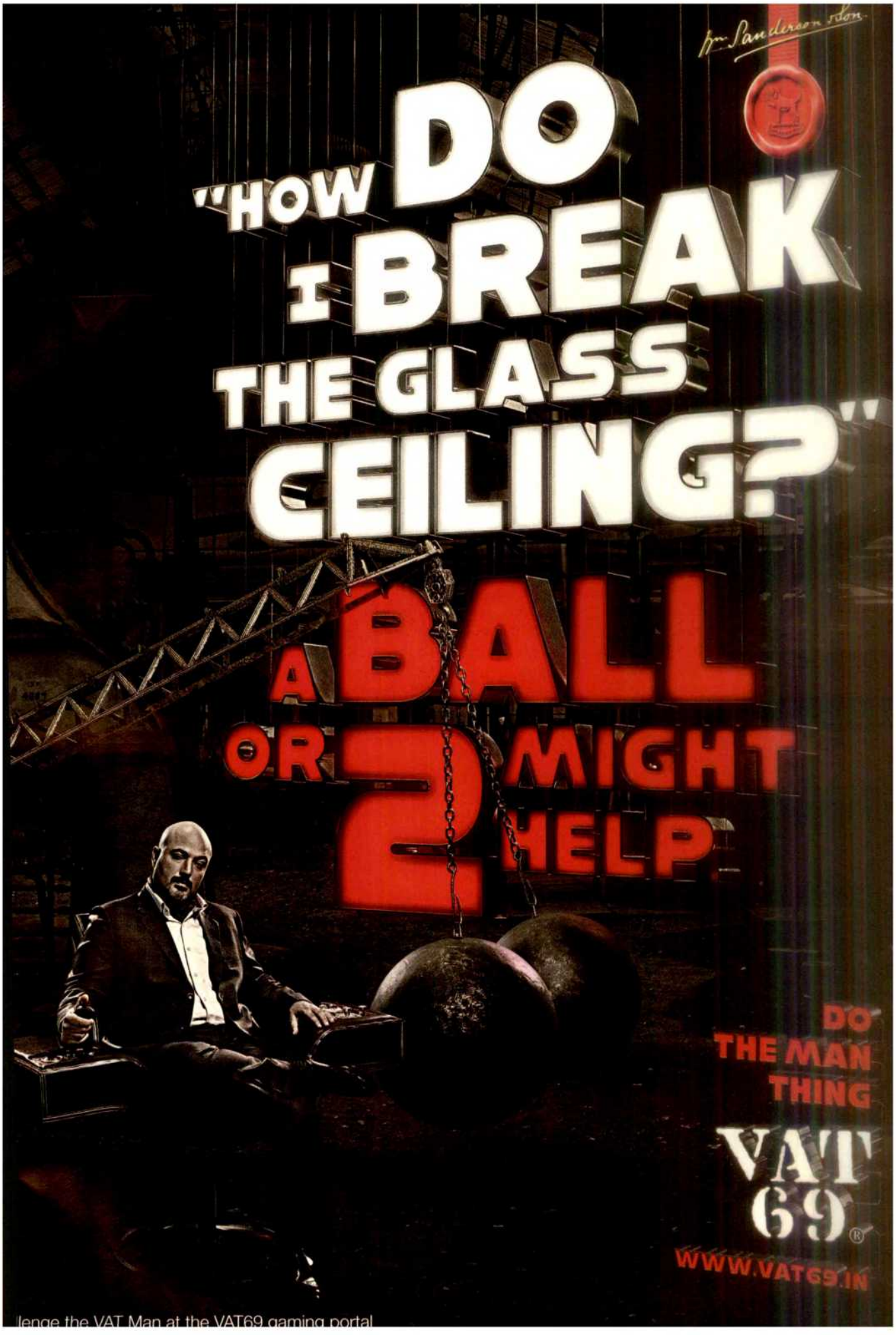


PEER PRESSURE

Competition, lack of market depth, and declining prices are slowing the growth of the multimedia classroom business.

By SHAMNI PANDE

Not long ago, the apparently unlimited potential for companies in the education business seemed fairy-tale perfect. But, like many stories of that genre, this one has its dark moments. Perhaps the most alarming is the arrest of Everonn Education's Managing Director, P. Kishore, in September, on charges of tax evasion. That incident may be an aberration, but the road is turning out to be rockier than the industry had anticipated.



lenge the VAT Man at the VAT69 gaming portal

> "Research shows that pricing for smart classroom products is declining at seven per cent a year"
>
> Ashwin Assomull, Senior Principal, The Parthenon Group

Business related to schools – from kindergarten to grade 12, or K-12 – focuses on selling technology loaded with curriculum-related content aimed at making classrooms more effective. This model, pioneered in India by Educomp Solutions, has evolved from supplying computers to schools to installing interactive whiteboards which display content while allowing teachers to write on the screen with a stylus. Some whiteboards even let teachers gauge the effectiveness of a session. "Each child has a remote and can click on options to questions, which shows the level of understanding of the subject," says Abhinav Dhar, Director, K-12 Business and Operations, Educomp.

Schools use technology because it brings subjects alive. "We can show how a heart beats or how a foetus grows," says Manju Arif, Principal, DPS Bangalore North, an Educomp client. Vaidehi Krishnan, Principal, GRT Mahalakshmi Vidyalaya, Chennai, adds that technology helps children gain exposure to the views of experts, and to content beyond the curriculum, such as *Encyclopædia Britannica*. "It adds value to what teachers do, and helps when they go on leave." Some educators are more measured in their enthusiasm. Aditi Misra, Principal, DPS Gurgaon, says: "We see only a marginal difference with technology. A lot depends on teaching quality."

Although the industry has evolved, some analysts say Educomp's success may have caused a market bubble. The amount of technology a company can install in classrooms depends on market depth in terms of school fees. There may not be enough room for companies to maintain their growth rate.

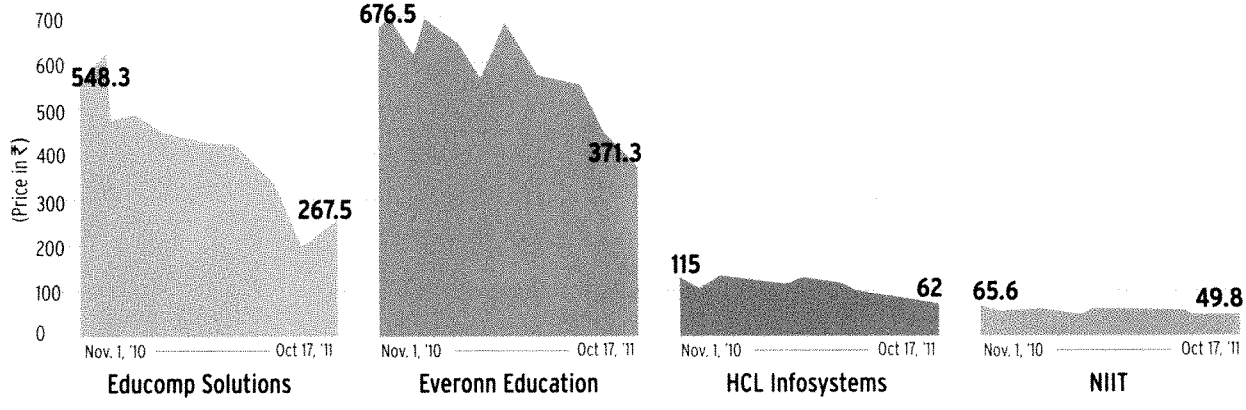
For instance, a survey conducted in late 2010 by The Parthenon Group, an advisory firm, which reached out to "every private school" in the country with an email address or phone number, found the market lacked depth for companies to sustain current margins and a growth rate of 25 per cent over even the next three years. According to Parthenon, there are approximately 8,000 students enrolled in schools that charge tuition fees of more than ₹4.5 lakh a year. "If we consider schools that charge above ₹25,000 a year, there are still only 1,000 schools," says Ashwin Assomull, Senior Principal, The Parthenon Group.

Having misjudged market depth, then, education technology companies are struggling to meet growth targets, and cutting prices in order to keep growing. "Research shows that pricing for smart classroom products is declining at seven per cent a year," says Assomull.

A report released on October 13 by Morgan Stanley Research, too, says prices are falling, with at least six vendors besides Everonn and

Lower Market Expectations

The stock prices of four leading companies have declined over the past year



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> "We reach 4.5 million students through 7,202 schools. Early this year, we increased our sales force from 400 to 580 people"
> Abhinav Dhar, Director, K-12 Business and Operations, Educomp

SHEKHAR GHOSH/www.indiatodayimages.com

Educomp's Abhinav Dhar demonstrates an interactive whiteboard

NIIT, some selling products for as little as ₹5,000 per classroom per month. The research firm has lowered its growth forecast for Educomp, whose Educlass brand is priced significantly lower than its older Smartclass brand. The report also notes that Tata Interactive Systems' Classedge product, launched in January 2011 at ₹55,000 a month for three classrooms, now goes for ₹35,000.

Brokerage and advisory firm CLSA noted in an August 2010 report that mere entry into classrooms with technological aids cannot ensure growth; the number of new schools must also increase. Reaching out to schools in small towns adds to costs. According to the Parthenon report, the larger companies had plans to open 20 to 30 premium schools a year each, but none has been able to open more than seven a year.

Even if a company could start more than one school a month while maintaining quality and capital-efficiency, the market would be unable to absorb large numbers of high-priced schools.

Despite all this, new companies have joined the fray while existing ones have planned expansion. For instance, HCL Infosystems, a veteran in the education industry, says it has already signed up 3,500 classrooms for its interactive whiteboards. It launched them in January 2011 under its DigiSchool Solutions brand.

There are a little over a million schools in the country, and 230 million school-going children. Private schools account for just seven per cent of total school capacity, but 40 per cent of students are enrolled in them. So, besides catering to private schools, companies seek to enter public-private partnerships via government programmes such as Sarva Shiksha Abhiyan.

It is clear that there is demand. "In areas where Educomp has no content, our teachers have developed interactive content in Kannada," says Arif of DPS

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> **"Our brand and credibility are the most important aspects for teachers who use our content"**
>
> Anand Ekambaram, Vice President and Business Head, HCL Learning

Bangalore North.

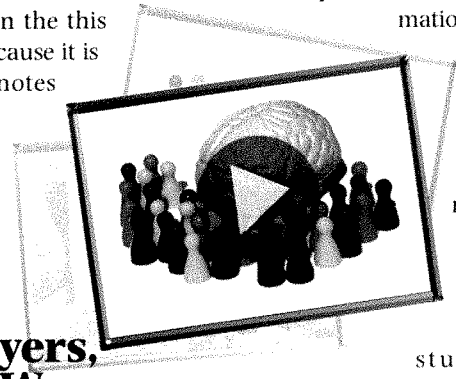
CARE Research, a division of credit rating agency CARE Ratings, estimates that the market size for classroom technology will grow from $450 million in 2010/11 to $1 billion in 2014/15 – a compound annual growth rate of 20.4 per cent – while the number of schools will increase from 1.4 million to 1.6 million.

HCL Infosystems is not worried about pressure on margins. "Our brand and credibility are the most important aspects for teachers who use our content," says Anand Ekambaram, Vice President and Business Head of HCL Learning, the company's education and training division. Thanks to the new venture, HCL Learning's revenues more than doubled year-on-year for the quarter ending June 2011, and 160 per cent year-on-year for the year ended June 2011.

The Dubai-based Varkey Group's acquisition of a 12 per cent stake in the beleaguered Everonn suggests that it, too, smells opportunities for growth in India, although analysts have reservations about the deal. The Varkey Group, one of the major players in the business, owns and operates schools in India through its GEMS Education division.

NIIT, one of the oldest education companies, is looking at organic and inorganic growth, says Hemant Sethi, President, School Learning Solutions and HiWEL, NIIT (HiWEL, or Hole-in-the-Wall Education Ltd, is a subsidiary of NIIT). The company's plans include cloud-based solutions, digital libraries and smart identification systems for schools.

As part of its strategy for 2011/12, Educomp has designed new hardware for Smartclass, besides investing heavily in content. Given that school syllabi are standard, content is not a differentiator in the this business, because it is replicable, notes analyst Nimish Joshi, co-author of a May 2011 CLSA report titled *New Directions in Smartclass*.



However, the report says that Educomp's refreshed content suite – which includes animations, assessments, question banks, and covers the curricula of all education boards in India – is harder to replicate, and aimed at "moving ahead of peers, who have focused on animation". This could help Educomp attract more schools as customers, at a time when competition has become more intense.

Educomp has substantial brand recall, and reaches some 4.5 million students through 7,202 schools. Early this year, it increased its sales force from 400 to 580 people, says Dhar. "They will reach out to 500 districts across the country. We also hope to beef up our branding efforts."

"We are banking on our ability to service schools and come up with tailor-made solutions for them," says Rohit Pande, CEO of Classteacher Learning Systems, a company that has been in the education business for over a decade. "This market is no longer about sales, where players could have sold things to schools based on hype."

The reality is that the education business is growing – but it faces big challenges. ◆

ADDITIONAL REPORTING BY RAJIV BHUVA

More Players, Cheaper Wares

Competitive pressure is forcing down the price of technology in classrooms

COMPANY	BRAND	PRICE*
Mexus Education	IKEN	25,000
HCL Infosystems	DigiSchool	25,000
Pearson/Edurite	DigiClass	25,000
Educomp	Educlass	31,500
Next Education	TeachNext	32,500
Tata Interactive Systems	Classedge	44,000
Educomp	Server-based Smartclass	90,000

Source: Morgan Stanley Research

* Digital classroom price (in ₹) for set of five classrooms per school per month

NOTE: Educomp's Educlass is for standalone classrooms, while Smartclass is server-based in order to serve multiple classrooms in a school

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Best Shoe Forward

With a manic focus on customers, Yebhi.com wants to make the leap from an online shoe-seller to an e-commerce titan in India. Watch out, Flipkart.

By TASLIMA KHAN

SHEKHAR GHOSH/www.indiatodayimages.com

Manmohan Agarwal always wanted to do his own thing. Even so, his first venture bordered on the outlandish: prospecting for gold. In 1995, he set up India's first private sector gold mining venture, taking over an old mine abandoned by the British in the forests of Jharkhand's East Singhbhum district, close to Jamshedpur.

But ambition alone does not make for successful gold prospecting. Agarwal soon ran out of capital and was back at a regular job.

By 2009, the entrepreneurial bug was back; he had had enough of working for someone else. His next dive into entrepreneurship seemed even more bizarre: he decided to sell shoes online, after a chance meeting with Danish Ahmed Abdullah, who had

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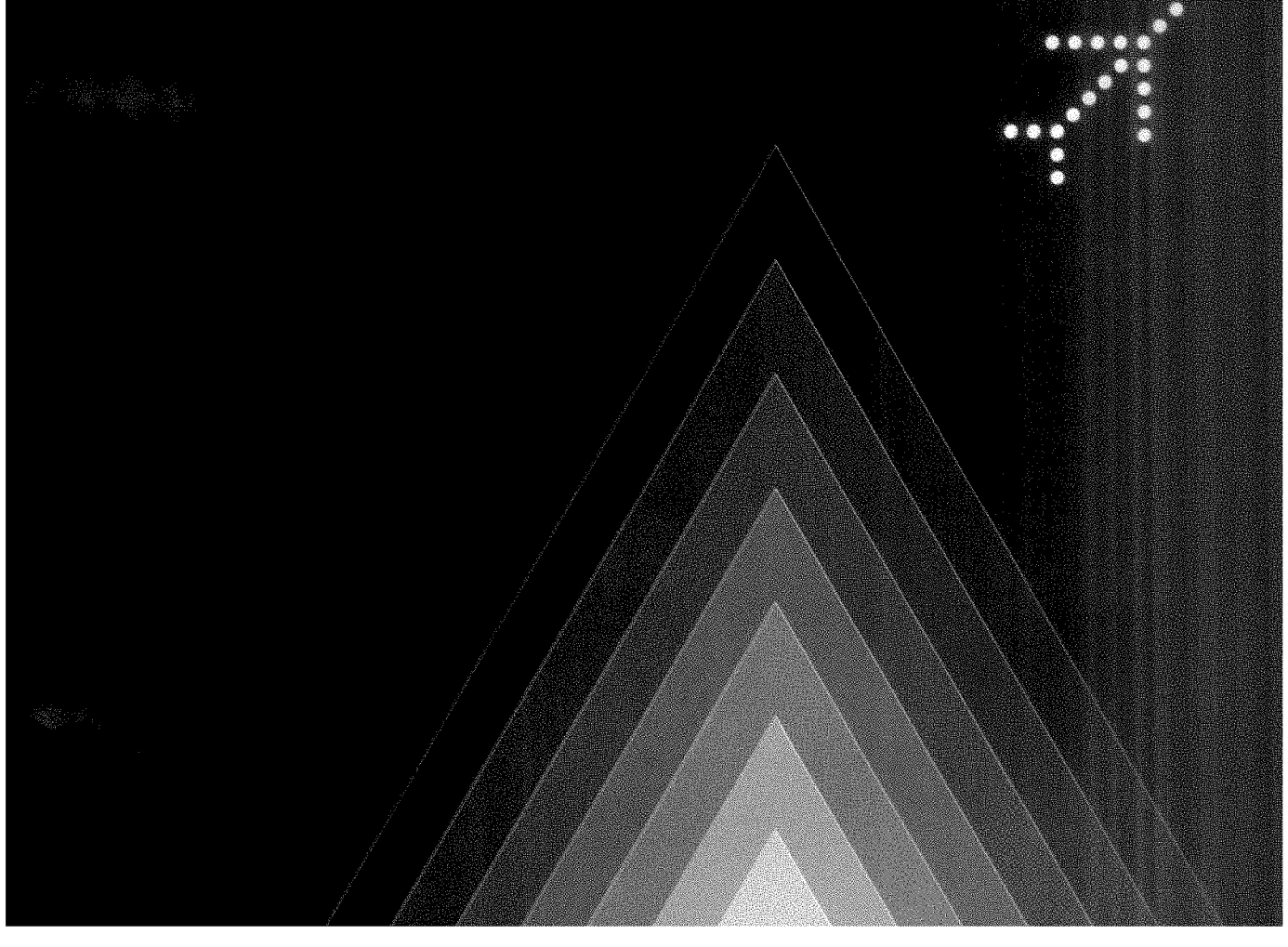

started selling footwear on the Internet two years back to liquidate excess stocks from his father's manufacturing unit in Kanpur. "When we told some supplier brands we wanted to sell their shoes online, they thought we were mad," says Agarwal.

Sure, there was a roaring online shoe business that Zappos had built in the US – eventually acquired by online retail giant Amazon.com in July 2009 for nearly $1 billion, or ₹4,838 crore then – but if someone wanted to sell pink pumps online he was seen as barmy.

It took Bigshoebazaar – the online site that Agarwal and Abdullah partnered with two Indian Institute of Technology, Delhi, graduates – a good six months to convince brands to come on board. That start with shoes has today grown into Yebhi.com – roughly translated from Hindi as 'this too' – a multi-category portal with some 250 brands spread over products like apparel, electronics, sunglasses, fragrances, bags, accessories, appliances and, of course, shoes.

Both Yebhi.com and Bigshoebazaar.net are portals run by Bigshoebazaar India, a private company part-owned by Agarwal, Abdullah, and Nitin Gupta and Rajul Jain, the two IIT-ians. (Bigshoebazaar.net is the business-to-business portal selling to retail shoe stores.) Bigshoebazaar India received ₹50 crore funding in two rounds from Nexus Venture Partners and Catamaran Ventures, the latter owned by N.R. Narayana Murthy, Chairman Emeritus of Infosys.

At a meeting three weeks before Diwali, Agarwal is busy readying for exponential growth this holiday season. In September, Yebhi sold an average of 4,000 to 5,000 products daily. Data from the Diwali sales will be in only early-November but the Yebhi CEO expects the spike to be 250 per cent. Private, early stage companies such as Bigshoebazaar India keep revenue figures confidential but a company insider says it closed financial year 2010/11 at ₹20 crore and the current year is likely to see exponential growth. Competitors like Flipkart are far ahead – 2011/12 revenues projected at ₹600 crore – but in India's e-commerce race, Yebhi is clearly a contender.

Sandeep Barasia, who heads the consumer products practice at consultancy firm Bain & Company's Gurgaon office, says the e-commerce industry in India has only recently taken off, and so most companies in the space are yet to devise a very clear online strategy. "In choosing an online retailer, consumers will prefer sites that have generated very positive word-of-mouth endorsements," he says.

For Agarwal, customers like Rajeev Suman are the ones spreading the word. A research analyst at the Noida office of Grail Research, an investment research company with its headquarters in Cambridge, Massachusetts, Suman wanted a gift for a close friend. He had never bought jewellery from small shopkeepers over quality worries and he couldn't afford chains like Tanishq. He logged on to Yebhi.com for the first time after a colleague pointed him to it. He ended up buying a pendant for ₹2,500 and was "pleasantly surprised when I got my packet on the fourth day", he says. On a subsequent order of shoes, he received a call from Yebhi customer care: would he like to buy other shoe colours in the same size, too?

Yebhi badly wants to build up customer loyalty and is willing to pay for it. It reports eight per cent returns of purchased goods that come about from a liberal 30-day exchange period. "I have instructed my customer care guys not to ask the customer why he wants to return a product," says Agarwal.

The E-retail Break-up

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+

₹389 cr

Cameras, mobiles

+

₹296 cr

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+

₹203 cr

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+

₹62 cr

Home, kitchen appliances

+

₹40 cr

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Figures for 2009
Source: Internet and Mobile Association of India (IAMAI)

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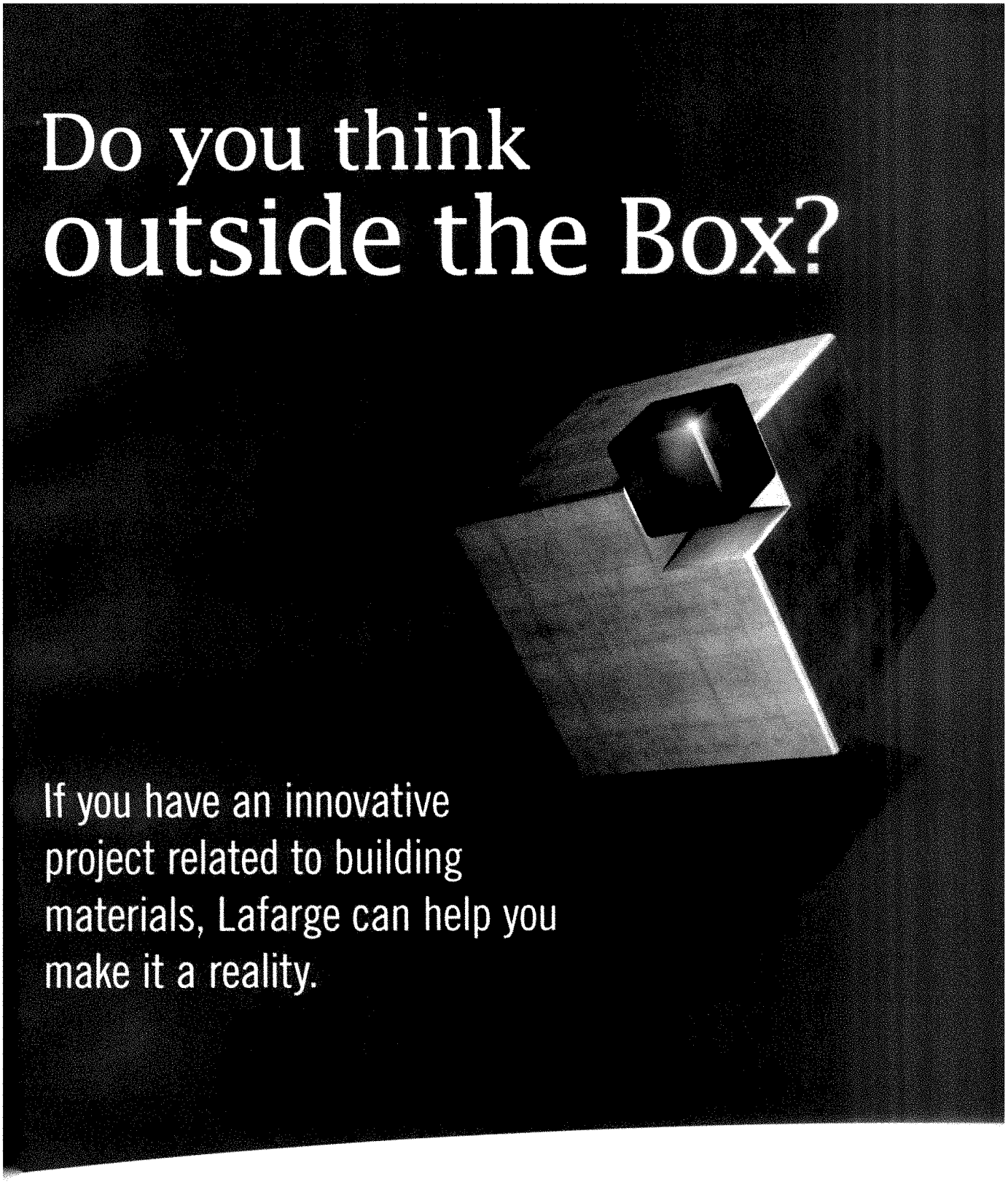

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"In the next two years we may see one or two big e-commerce players and they will come from the first wave of successful single product e-retailers"

Sanjeev Aggarwal, MD, Helion Venture Partners

Ramping up sourcing of products, though, is a work-in-progress. The task in its initial days, says Agarwal – the other promoters of Bigshoebazaar India were not available for interviews – was getting mindshare of CEOs at suppliers. "The task was to convince Benetton, which operates through 300 franchise stores, that it can do business equal to 30 to 40 stores by going online with us," he says. Today Bigshoebazaar India has the single largest key account of brands like Puma, Nike, Red Tape, Reebok and Lotto. But there are still brands such as Metro Shoes who have not gone online with Yebhi.com for worries of being seen as discount brands.

For all his drive to run something on his own, Agarwal's stint at his previous employer is the most that is helping him in his current avatar. At supermarket chain Vishal Retail in the two years before he quit as Corporate Affairs CEO in April 2009, he went around opening stores totalling some two million square feet in 110 cities. In the tough quarters of 2008, when retail chains in India went through the wringer, he helped Vishal Retail consolidate its backend – reducing 10 million sq. ft. warehouse space down to 400,000 sq. ft.

Bigshoebazaar India is modest in comparison; it has a 100,000 sq. ft. warehouse in Gurgaon and plans another one sprawled over half a million sq. ft. nearby next year. That backend and the push to perfect delivery – Yebhi is customising logistics with seven providers spanning Bluedart to SpeedPost – Agarwal hopes will help Yebhi's drive into multiple categories. "The moment you place an order at Yebhi, it is ready for shipping in 70 minutes," he says, adding that the time will reduce further as plans to run logistics in-house take off.

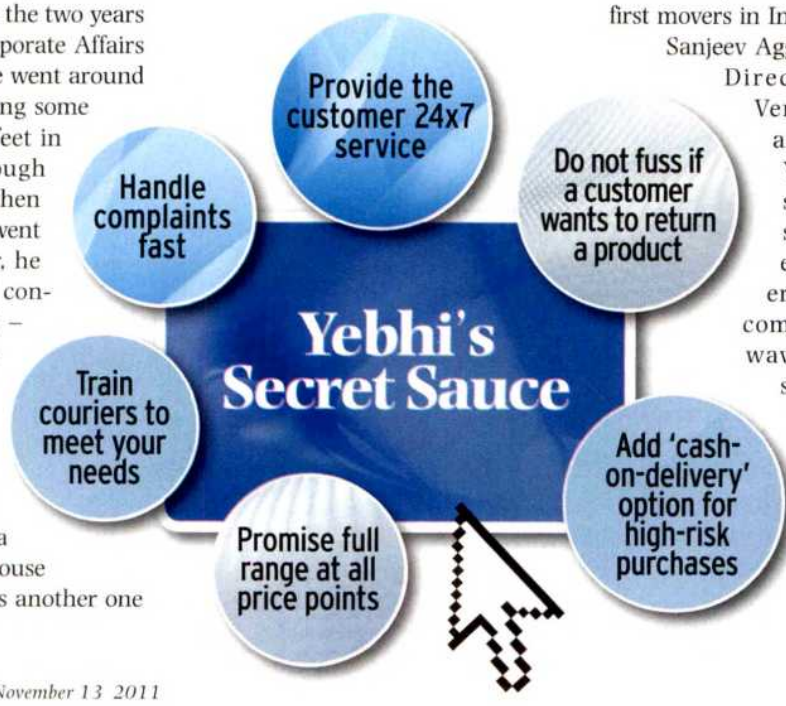
To be sure, Bigshoebazaar India still has footwear dominating its merchandise but he expects that to change. When that happens and the Yebhi team drives sales across products, it will run into competition with strengths in different categories: from Letsbuy and Flipkart in electronics, Fashionandyou in apparel, Myntra in gifting, or Seventymm in entertainment.

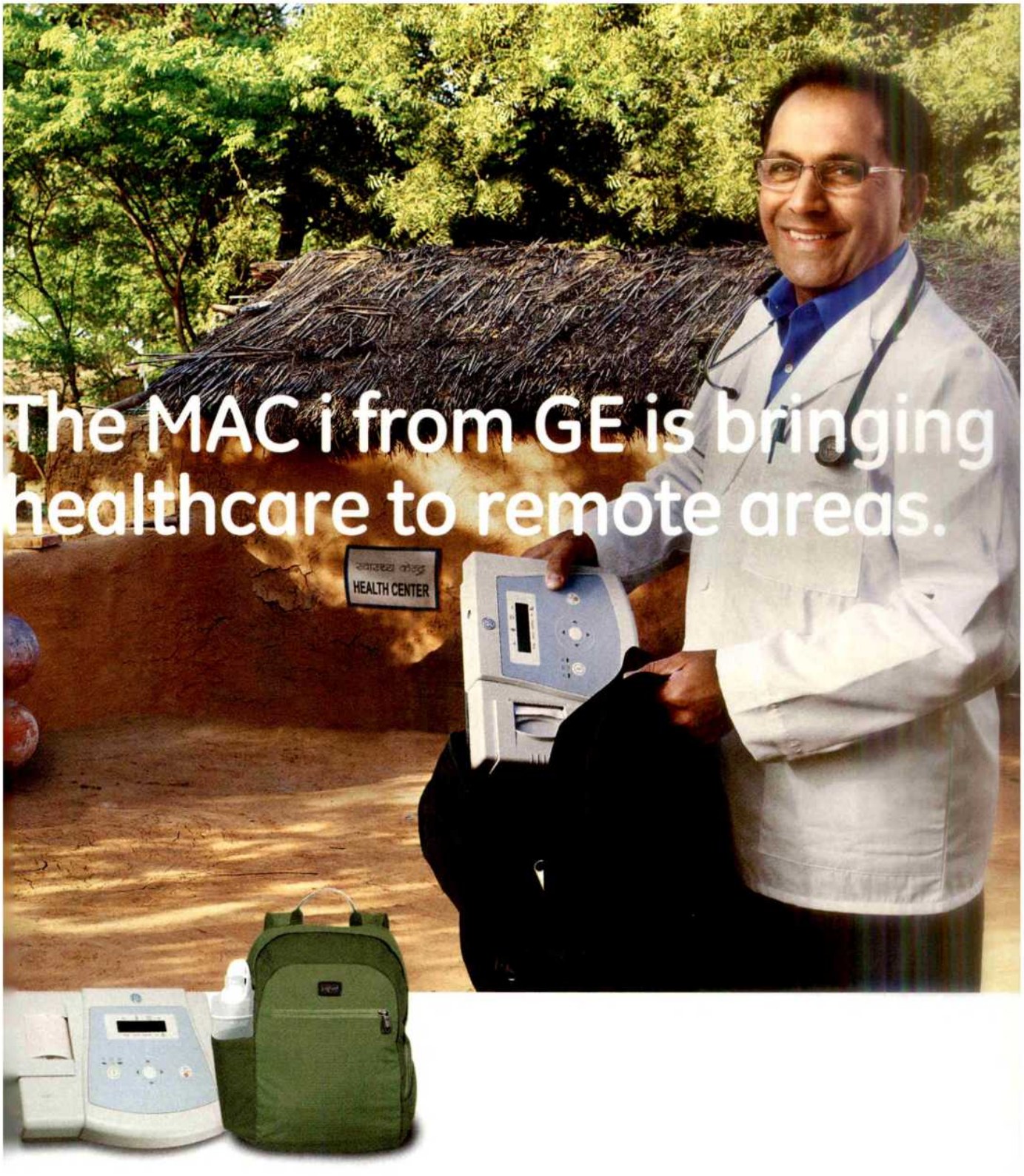
Yebhi wants to be a leader in all categories. How feasible is that? "We are only different on the customer side which is what differentiates us – giving him value in terms of experience, product range and convenience; all important factors to overcome the lack of touch and feel in online purchase," says Agarwal.

He knows the risks of unfettered expansion – Vishal Retail was sold for ₹70 crore in March this year after it caved in under the pressures of debt and thin margins – and strictly keeps to a rule that Yebhi will not add any category for which it cannot promise a full range to the customer. For sunglasses which launched on Yebhi in late September, there are already 800 styles available at prices ranging from ₹400 to ₹800.

The bet that Yebhi, and the many funders hovering around the industry, are making is that there is a lucrative spot to be carved out by first movers in Indian e-commerce. Sanjeev Aggarwal, Managing Director at Helion Venture Partners, and not related to Yebhi's Agarwal, says: "India may see one or two big e-commerce players and they will come from the first wave of successful single product e-retailers".

Yebhi would like to believe it has put its best foot forward to take that spot. ◆





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imagination at work

Shri B. Prasada Rao
Chairman & Managing Director

Ladies and Gentlemen,

On behalf of the Board of Directors & employees of BHEL, I have great pleasure in welcoming you to the 47th Annual General Meeting of your Company.

The report of the Directors and Audited Accounts for the year ending 31st March 2011, with the reports of Auditors and comments of Comptroller and Auditor General have already been circulated to the shareholders, and with your permission, I shall take them as read.

2010-11 was yet another very successful year for your company when we were able to deliver spectacular results in spite of growing concerns on the business confidence against the backdrop of volatile global economic and business environment. We saw private as well as public sector utilities and other customers reposing confidence in the company's capabilities. In fact, your company has shown exceptional performance over the last six years.

	2005-06	2010-11
Gross Turnover (Rs. Crore)	14,525	43,337
Profit After Tax (Rs. Crore)	1,679	6,011
Return on Capital Employed	41%	62%
Net Worth (Rs. Crore)	7,301	20,154
R&D Expenditure (Rs. Crore)	152	982

I wouldlike to first present to you the key highlights of your Company's performance during the year gone by:

Financial Performance & Business Accomplishments

Your Company continues its impressive record of financial performance.

- Gross Turnover for the year grew by **27% to Rs.43,337 Crore.** Pre-tax profits rose by **37% to Rs.9,006 Crore.**
- **Record orders** worth **Rs.60,507 Crore,** have been booked, despite various challenges confronting the power sector in recent times. At the end of the year, total orders in hand for execution in 2011-12 and beyond, stand at about Rs.1,64,145 Crore. Major orders include
  - 7 nos. Boilers and 9 nos. Turbine-Generators with **supercritical parameters** from public as well as private sector utilities.
  - First 700 MW **Nuclear** TG (2 sets) for KAPP 3, 4 from NPCIL in consortium with Alstom
  - **Repeat order** for 10 sets of 270 MW each from the Indiabulls Group indicating confidence of the customer in your company.
  - Export orders from 24 countries across five continents.
- The company is continuing to invest heavily in building capacities and capabilities, not only to cope with rising demand, but also in view of our drive to strengthen our engineering character. Therefore, Capital investment of Rs.1,655 Crore and R&D expenditure of Rs.982 Crore were incurred during the year.
- Economic Value Addition (EVA) reached **Rs.3,793 Crore,** a 42% y-o-y increase.
- EPS on the post–bonus equity capital increased to **Rs.122.80** against previous year's Rs.88.06.
- A final dividend of 179% has been recommended by the Board, in addition to the interim dividend of 132.5% for the year, making a total of 311.50% for the year- the highest ever.
- The company has also readied itself to comply with the IFRS.

Equipment Performance

The overall PLF of coal based sets supplied by your company continues to be the highest at 75.7%. Of these, 61 sets registered PLF of over 90% and 73 sets achieved PLF between 80% and 90%. As a testimonial to superior quality of equipments supplied by your company, BHEL supplied coal based sets registered an Operating Availability of 86.1%, 2.3% higher than national average.

Commissioning

Your company synchronized/ commissioned highest ever 9,442 MW of sets during the year. This includes 52 sets totalling 7,667 MW commissioned within the country and abroad. Interestingly, 57% of the total electricity generating capacity added by the country's utilities was with BHEL units.

BHEL responded to customer's call and completed the rehabilitation work of the flood ravaged Koteshwar HEP of THDC in a record time of just five months and the plant capacity addition of 2x100 MW could be achieved.

2x600 MW North Chennai TPS by BHEL on EPS basis, equipped with country's first large capacity new series Turbo-Generators

Performance of Subsidiary Company

The process of revival of BHPV Visakhapatnam has started showing results. During 2010-11, the company achieved net profit of Rs 8.78 Crore with the turnover of Rs137 Crore, registering a y-o-y growth of 31.7%. I am confident that it will soon regain its past glory.

Sustainability: Entrenched in Our Heritage & Culture

For your company, sustainable development is not new. For almost fifty years of our existence, we have been leveraging technology and innovation for providing products, systems and services to our customers to enable them to use resources with better efficiency and productivity.

The relationship between your company, its products, its employees, its customers and the society is - to use the unavoidable metaphor - like a river, the deeper it gets the less noise it makes. It's an entrenched part of our history, how we have been consistently making profits since 1971-72 through the principles of sustainability at every stage of our history.

Globally the power sector currently accounts for 41% of energy-related CO_2 emissions. Your company has always been a torchbearer in these endeavours for the industry in India. With 500 MW in 1978, 660 MW and 800 MW in 2008, and 700 MW in 2010 we have been progressively introducing environment friendly and fuel efficient technologies for our customers. We also brought CFBC for burning multiple fuels, HRSG for absorbing waste heat and IGCC for coal gasification technologies to India.

In fact, on the sustainability dimension, your company has a much higher responsibility in delivering products that enable all its customers service the society in a way which is socially and ecologically acceptable while remaining profitable. We empower our customers to become sustainable by offering equipments which have better performance attributes like **lower auxiliary power consumption, better plant heat rate & PLF** and finally **lower life cycle cost.** As per one comparative reporting based on the benchmarking of operational efficiency parameters, BHEL supplied sets show superior performance in comparison to that from other global suppliers.

Considering that availability of adequate land for future power projects would come at a premium, we have started to work on optimized plant layouts to reduce the power plant foot print. Similarly to address the scarcity of water we are engineering power plants that would use lesser water by incorporating air cooled condensers, etc.

Therefore, your company has not just implemented sustainability measures in its own plants but is also working to change the world for the better.

Order Inflows: Reinforcing Market Leadership

Despite difficult market conditions, your company was able to secure orders worth Rs.44,341 Crore in power sector. We introduced new rating of 700 MW supercritical thermal sets with the first set of order from KPCL. We also won first-ever order from a JV with a State Utility for 800 MW supercritical thermal sets from Raichur Power Corp. Ltd.

In spite of subdued growth in Indian industry, your company was able to secure orders worth Rs.11,405 Crore for a wide range of products and systems for application in Captive Power, Transportation, Transmission, Oil & Gas, Renewable Energy and other industry segments.

During the year, major success was the **breakthrough order from PGCIL for ± 800 kV 6,000 MW HVDC Multi-Terminal Transmission Link** in consortium with ABB, Sweden. This transmission link from the North-East Region of the country to Agra comprises three converter terminals and a power transmission system with a built in capacity of up to 8,000 MW which is the largest HVDC transmission system ever built. In financial terms, this is the largest order finalized in T&D sector any where in the world.

Other significant orders in Industry business segment were 3x150 MW BTG package from India Power Corp. Ltd. Haldia, State-of-the-art propulsion equipments for 6000HP Electric Locomotives and 1400HP AC EMUs from Indian Railways, Integrated Platform Management System for an Air Defence Ship, and 124 HT motors for IOC's Paradeep refinery including 110 flame proof motors.

The outlook in our export markets remains cautious. Recent developments in the Arab world have also adversely affected business prospects in our traditional markets. In spite of such challenges, BHEL was able to sustain its exports momentum with a physical export order inflow of Rs.3,738 Crore from 24 countries spread over five continents. The year marked significant forays in new markets and new product areas.

Your company successfully won prestigious single largest export order for 4x168 MW Gas Turbine based Marib-II Power Project from Yemen.

The Innovation Premium

Your company aspires to continue and further strengthen its innovation-led growth strategy to maintain the growth trajectory for decades to come.

In alignment with the above philosophy, your company invested Rs.982 Crore on R&D efforts during the year-18.5% higher than the previous year. 18% turnover of your company comes from in-house developed products and systems. Your company registered 31% growth in IPR capital during the year taking the total to 1438 patents/ copyrights. You would be pleased to know that BHEL has been ranked the Ninth Most Innovative Company in the world by the renowned US business magazine Forbes. Significantly, BHEL is the only Indian engineering company on the list, and is ranked much higher than similar multinational companies in the power equipment field.

As part of its endeavour to offer the most contemporary products & technologies to customers, BHEL has indigenously developed and manufactured 1200 kV/ 180 MVA transformer, 1200 kV Capacitor Voltage Transformer, 530 kN Disc insulators, and 765 kV/ 500 MVA transformer. Further, to enhance efficiency as well as revenues for hydro utilities, BHEL has developed a hydro power plant equipment maintenance management system to provide vital support in ensuring continuous power generation while minimising overhead costs due to downtime, repairs and replacements.

Other significant developments during the year include development of compact and cost-effective digital Online Monitoring and Control System (OLMCS) for power transformers, high efficiency Passivated Interface (PI) hetero junction solar cells on full size (125 mm pseudo-square), mono crystalline silicon wafers with an efficiency as high as 16.9%, and a dynamic classifier system for improving classification efficiency of the pulveriser thereby reducing the NOx emission from the boiler.

In line with its developmental work in futuristic areas, BHEL is establishing a Centre for Nano Technology (CNT) at its Corporate R&D division at Hyderabad. The facility will explore the application of nano materials in products and systems relevant to BHEL. The Centre is being established to carry out cutting edge R&D and make your company future ready in the areas of ultra supercritical power and renewable energy.

Chairman's Address :
47th Annual General Meeting of BHEL on 20th September, 2011

Awards: A Source of Encouragement

During 2010-11, BHEL's excellence in terms of public sector management, manufacturing excellence, industry practices, sustainable development, corporate governance and innovation has been aptly recognised through various national and international awards, which is continuing.

Some of the key awards are SCOPE Award for Excellence and Outstanding Contribution to Public Sector Management (2008-09) in large PSE Category, 'SCOPE Meritorious Award for R&D, Technology Development and Innovation' for the year 2009-10 by the Hon'ble President of India, IEI Industry Excellence Award, NDTV Profit Business Leadership Award, 7 ICWAI National Awards for Excellence in Cost Management, 6 Prime Minister's Shram Awards, National Safety Award, EEPC's Top Export Award, Business Bhaskar India Pride Growth Leader of the Year Award, Enertia Awards for Manufacturing Excellence, India Power Award, Golden Peacock Award for OH&S, Safety Innovation Award, Distinguish Fellow Award to CMD BHEL and CII-Thompson Reuters Innovation Award etc.

Left to Right : Sh. P.K. Bajpai, Director (Finance); Sh. O.P. Bhutani, Director (E,R&D); Sh. Atul Saraya, Director (Power); Sh. B. Prasada Rao, CMD; Sh. Anil Sachdev, Director (HR) & Sh. M.K. Dube, Director (IS&P)

Hon'ble President of India, Smt. Pratibha Devisingh Patil, presenting the 'SCOPE Meritorious Award for R&D, Technology Development & Innovation' for 2009-10 to CMD, BHEL, in the presence of Sh. Praful Patel, Hon'ble Union Minister of Heavy Industries & Public Enterprises

For the fifth consecutive year, BHEL's performance was recognized by the prestigious publication Forbes Asia, which featured BHEL in its sixth annual Fabulous 50 list of the best of Asia-Pacific's publicly-traded companies with revenues or market capitalization of at least US$ 5 Billion, having highest long-term profitability and sales & earnings growth. Notably, BHEL is the only Indian PSU to figure on the elite list, since the list was conceived.

For a New Phase of Dynamic Growth

BHEL is committed to drive a new phase of growth, at a time of increasing focus of Government of India on developing infrastructure sector.

In this environment, your company has over a period of time established a number of differentiating competitive strengths, including a powerful manufacturing base, world-class equipment performance, the technology edge, diversified business portfolio, country-wide efficient after-sales-service network, a robust balance sheet capable of supporting its growth ambitions and strong human capital base.

Backed by these attributes, your company continues to pursue its '6-Point Strategy' to sustain its leadership in its current business areas and capture opportunities in emerging growth areas.

1. Capacity Enhancement : Augmentation of manufacturing capacity from 15,000MW to 20,000 MW is on track for completion by March 2012. I am pleased to inform you that BHPV Vizag which we acquired in 2008 as part of our inorganic growth strategy has turned profitable in 2010-11. Further, your company has taken 51% stake in Kasargod unit of KEL Kerala for rapid capacity enhancement for rotating electrical machines. We will continue to build capacities both organically as well as inorganically.

2. Accelerated Project Execution : Your company has continually been improving its execution capabilities. Key drivers of our strategy are vendor base expansion, Advanced Manufacturing Actions, greater application of Information Technology, Rate Contracts, enhanced outsourcing, deployment of additional tools and plants, Away Center fabrication, e-Procurement, and greater empowerment of project managers.

3. Product Cost Competitiveness & Quality : There is a constant endeavour to reduce costs. Points of focus include global sourcing, quicker indigenization, and various integrated operations improvement initiatives like Design-to-Cost (DTC), Purchase and Supply Chain Management (PSM) and Lean Manufacturing. These initiatives are towards improvement of our cost competitiveness while maintaining quality for which your company is well known.

4. Diversification : Your company is well positioned to continue its diversification strategy to enhance shareholders' value as we expand our offerings in new growth areas viz. Solar, Nuclear, Transportation, Transmission & Distribution, and Water. In this direction, your company entered into mutually beneficial strategic partnerships with GE India Industrial Pvt. Ltd. (GEIIPL) to address the requirement of water treatment plants for power plants, industry and municipal corporations; with Abengoa, Spain to develop Concentrated Solar Power (CSP) projects in India and with Nuovo Pignone (part of GE Oil & Gas), Italy for technology sourcing for the manufacture of higher size centrifugal compressors.

5. Engineering & Technology : As a result of conscious commitment to anticipate future needs of our society and to convert these needs into innovative technologies, your company continues to invest heavily in R&D. Our focus areas where we believe our skills and resources can have the greatest impact are development and indigenization of clean coal technologies, UHV transmission equipments, Fuel cell, Hydrogen Energy, Flue Gas De-Sulphurization, Carbon Capture, Nano-technology, etc.

Your company has taken lead in developing Advanced Ultra Supercritical (Adv-USC) technology in association with Indira Gandhi Centre for Atomic Research (IGCAR) and NTPC, as part of the National Mission for Development of Clean Coal (Carbon) Technologies. Further, we have established BHEL R&D Gateway at IIT Madras Research Park Chennai for promoting research in Ultra Supercritical power cycles and high temperature materials.

6. People Development : We strongly believe that the contribution of all of our talent is an essential component to our growth aspirations. During last five years, your company has recruited 17,189 employees to strengthen its human resource base. Accordingly, we are reorienting focus of our Human Resource to develop not only each person's competencies, but also their performance and potential in alignment with our ongoing business challenges.

During the year 31,166 employees were exposed to various types of training with the average of 15.02 training man days per employee.

Corporate Citizenship

Your company has adopted its CSR Policy from 2010-11 with the Mission Statement - "Be a Committed Corporate Citizen, alive towards its Corporate Social Responsibility".

Fostering the tradition of repaying the society at large by actively participating in the welfare of local communities through numerous CSR initiatives, BHEL undertakes socio-economic and community development programmes to promote education, improvement of living conditions and hygiene in villages and communities located in the vicinity of its manufacturing plants and project sites spread across the country. In addition, BHEL provides financial assistance to various NGOs/Trusts/Social Welfare Societies that are engaged in social activities throughout the country.

Constant endeavors of your company were appreciated and recognized at the 'CSR Thought Leadership conclave' organized by Wockhardt Foundation and 'India Shining Star CSR Award' for outstanding work in CSR sphere in the Capital Goods sector.

Corporate Governance

Your company is committed to following best corporate governance practices in all its pursuits while aligning as nearly as possible economic, social and environmental objectives. We manage all affairs of your company in an ethical and transparent manner and communicate truthfully with all our stakeholders. Your company operates with the ultimate objective of creating wealth and to enhance shareholder value in the long term.

Acknowledgement

Your company continues to remain engaged & driven by an inspiring vision of a World Class Engineering Enterprise committed to enhancing Stakeholder value. I would like to thank my fellow Directors on the Board and the members of the Management Committee for their wisdom and support. Various ministries of GoI particularly the Department of Heavy Industry have been providing valuable guidance and support in our efforts.

Our customers, shareholders, and business partners are a great source of strength for the company which looks to the future with confidence. The company has been fortunate to have had visionary leaders and dedicated employees as the drivers of success. I look forward to continued support from all stakeholders in BHEL's challenging yet exciting journey into the future.

New Delhi
September 20, 2011

(B. Prasada Rao)
Chairman & Managing Director

Note : The above are excerpts from the CMD's speech at the AGM and do not purport to be a record of the proceedings of the AGM.

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Competing Against FREE

Free offerings are rapidly spreading beyond online markets to the physical world. Here's how incumbents can fight back.

By DAVID J. BRYCE, JEFFREY H. DYER, and NILE W. HATCH

A new competitor enters your market and offers a product very similar to yours but with one key difference: It's free. Do you ignore it, hoping that your customers won't defect or the free product won't last? Or do you rapidly introduce a free product of your own in an attempt to quash the threat? These are questions faced by an increasing number of companies – and not just in the digital realm. The "free" business models popularised by companies such as Google, Adobe, and Mozilla are spreading to markets in the physical world, from pharmaceuticals to airlines to automobiles.

How should established companies respond? Clearly, managers are having difficulty figuring this out. For the past five years, we have been studying how incumbents have dealt with competitors employing free business models in a variety of product markets. (See *About the Research.*) We have found no examples of companies in the non-digital realm that have prevailed against rivals with free offerings. In fact, in two-thirds of the battles that

have progressed far enough to be judged, incumbents (both digital and physical) made the wrong choice. In a handful of instances, companies that should not have taken action did so immediately by introducing their own free offering – hurting their revenues and profitability. They should have either waited and allowed the attacker to self-destruct or recognised that the two could peacefully coexist.

More commonly, companies that should have taken action didn't do so quickly enough or at all. Surprisingly, these included incumbents that had identified a genuine threat from a new entrant and had all the weapons they needed to win a head-to-head battle: an established customer base, superior product features, a strong reputation, and abundant financial resources.

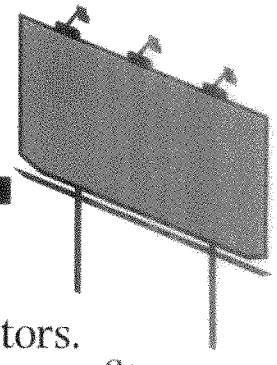
Why didn't these companies use their formidable assets to fend off free-product competitors? The answer is so obvious that you've probably guessed it: Managers were reluctant to abandon an existing business model that was generating healthy revenues and profits. But if the answer is obvious, why did managers make this mistake? The reason is the ubiquity of the profit-centre structure and mind-set. Drawing from our research on free offerings in online and physical markets, we explore in this article how to assess whether the introduction of a free product or service in your market is a threat and how to overcome the profit-centre challenge.

Assessing the Threat

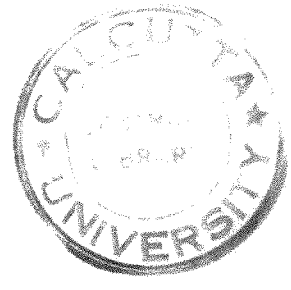
The seriousness of the threat posed by a new entrant hinges on three factors: the entrant's ability to cover its costs quickly enough, the rate at which the number of users of the free offering is growing, and the speed with which your paying customers are defecting.

Some new competitors self-destruct because they can't convert nonpaying customers into paying ones fast enough to cover costs or because they can't find a third party that will pay for access to their users. So it's crucial to determine if the competitor's free offering is generating revenue in some way. Of course, some companies may have enough funding to wait a year or more before they need to monetise their user base. (For example, Skype offered its free phone service for a year before it introduced SkypeOut, a paid service for calling landlines from a computer.) But this scenario can actually benefit an incumbent by giving it time to assess the potential of the model and decide whether to launch its own free product.

We learned that an entrant will usually find a way to turn users into revenue-generating customers if its user base is growing rapidly or if the incumbent's paying customers are defecting to the free offering at a high rate. What rates signal danger? Our examination of the dynamics in a number of markets suggests that if the free offering's user base is growing by 40 per cent or more a year (meaning that it will at least double every two years) or your customer defection rate is five per cent or more a year (meaning that you stand to lose at least 25 per cent of your customers within five years), serious trouble may be looming. As the matrix "How Big a Threat Is 'Free' Competition?" shows, assessing those rates (or reasonable estimates of them) helps a company determine the level of threat from the free product and respond accordingly.



Even companies with formidable assets are slow to fend off free-product competitors. The reason: the ubiquity of the profit-centre structure and mind-set.



Four Tried-and-True Strategies

1. UP-SELL

Introduce a free basic offering to gain widespread use and then charge for a premium version.

REQUIREMENTS

- A free product that appeals to a very large user base so that even a low conversion rate of users to paying customers will generate substantial revenues or
- A high percentage of users willing to pay for the premium version

EXAMPLES Virtually every iPhone app uses this strategy. One tactic is to offer a free version of the product to consumers and a premium version to the business market, as Adobe does with its Reader software.
Skype, which offers free computer-to-computer calls and charges for add-ons, succeeds with up-selling because it has more than 400 million users, many of whom become paying customers. Flickr, the free photo-sharing site, has a much smaller user base and a low conversion rate. That explains why eBay paid $2.6 billion for Skype, and Yahoo paid less than $30 million for Flickr.

2. CROSS-SELL

Sell other products that are not directly tied to the free product.

REQUIREMENTS

- A broad product line – preferably one that complements the free product – or
- The ability through partnerships to sell a broad line of products to users of the free product

EXAMPLES Ryanair offers roughly 25 per cent of its airline seats free but cross-sells a variety of add-on services, such as seat reservations and priority boarding. Once on the plane, the customer is sold food, scratch-card games, perfume, digital cameras, MP3 players, and other products. (Ryanair employs a second strategy: charging third parties for in-flight advertisements.) Specialty pharmaceuticals company Galderma rebates out-of-pocket costs for Epiduo, a prescription acne gel, and cross-sells other skin care products.

Choosing Whether and When to Respond

When both rates mentioned above are high, the entrant represents a *business model* threat. Most established companies must not only respond with a free offering but also radically change their business model to survive. And they need to do so pretty quickly – within two or three years. Many newspapers competing against online rivals that offer free classified advertising or editorial content are in this quadrant. They will continue to deteriorate sharply without a fundamental rethinking of their business model.

Fortunately for incumbents, most threats wind up in one of the other quadrants, which means there may be more time to respond. When the entrant's users are multiplying rapidly but the established firm's customers are defecting slowly, the entrant represents a *delayed* threat. This means the free product or service is attracting either customers from other established competitors or brand-new users. In such cases, your offering can coexist with the free one for at least a few years – especially if yours is targeting premium segments. This is the situation that Microsoft finds itself in with its Office software: Because of the high switching costs, most current enterprise users aren't defecting, but new users are increasingly using Google Docs and Oracle's Open Office, both of which are free. (See *Why Microsoft Should Take Its 'Free' Competition More Seriously.*)

The trick for incumbents facing delayed threats is figuring out exactly when to respond with either a free version of the existing offering or a new free product that appeals to new users. Responding sooner rather than later allows an incumbent to beat back the entrant and probably won't significantly hurt existing sales (because established customers are switching slowly). As soon as the entrant's users are in the millions, however, the incumbent must respond – as Intuit did when it acquired upstart Mint.com for $170 million in 2009, eliminating a threat to its Quicken personal finance software and gaining a free online product.

When the defection rate among your paying customers is high and the growth

3. CHARGE THIRD PARTIES

Provide a free product to users and then charge a third party for access to them.

REQUIREMENTS

- A free offering that attracts either many users who can be segmented for advertisers or a targeted group that makes up a customer segment and
- Third parties willing to pay to reach these users

EXAMPLES Google, which charges companies to advertise to its millions of users, is the poster child for this strategy. Another example is Finnish telecommunications company Blyk, which offers 200 free cell-phone minutes a month to 16-to-24-year-olds who fill out a survey and agree to receive ads. Blyk then sells access to and information about them. Blyk was recently acquired by Orange, the largest brand of France Telecom.
Generating users does not guarantee success. Xmarks offered web-browser add-on tools that attracted more than two million users – and plenty of venture capital. But the company recently shut down because it couldn't deliver a clear segment to advertisers.

4. BUNDLE

Offer a free product or service with a paid offering.

REQUIREMENTS

- Products or services that can be bundled with the free offering or
- A free product that needs regular maintenance or a complementary offering

EXAMPLES Here the "free" effect is largely psychological – the customer must buy the bundle to get the free product. Think of Hewlett-Packard, which often gives away a printer with the purchase of a computer. Better Place plans to lease electric cars in Israel by bundling a free lease with a service contract. Customers would pay to swap out their battery packs.
Banks are increasingly bundling free services, such as accounts and stock trades, with paid services, such as investment accounts that require minimum balances. But the bundled product doesn't have to be related to the free one. Banks also give away iPods, iPads, and other products to customers opening accounts.

rate of the entrant's users is low, the threat is obviously *immediate* because your revenues are rapidly eroding. Even though the free offering has not yet attracted a large following, it's a problem for you and demands a prompt response. It also suggests that you are overserving your customers and thereby inviting disruption. You must quickly figure out a way to launch a free offering.

Finally, when both rates are low, the threat is *minor*. In these cases, the incumbent should continue to monitor the situation.

Offer a Better Free

If you've established that free offerings are a threat to your business and have considered the timing of your response, the next step is to figure out *how* to respond. Most incumbents can successfully counterattack by unleashing their arsenal of weapons, which typically includes a large base of users or customers who have made investments in learning how to use the product, advanced technical know-how, substantial brand equity, significant financial resources, knowledge of the market, and access to important distribution and marketing channels. Incumbents can use those assets to introduce a better free product and to employ some tried-and-true sales and pricing strategies to generate revenues and profits: up-selling, cross-selling, selling access to customers, and bundling the free product with paid offerings. (See *Four Tried-and-True Strategies*.)

Yet, as we mentioned above, incumbents often fail to counterattack. A widely known case in point is the reluctance of almost all major newspapers in the United States to embrace a free business model when Craigslist attacked their profitable classified-ads business. According to our research, Salt Lake City is the only top 50 US metropolitan market for classified ads that is not dominated by Craigslist. The reason? Deseret Media (which includes the *Deseret News*, KSL TV, and KSL NewsRadio) responded quickly to the business model threat by launching its own free classifieds site and making other significant changes. The site, ksl.com, is better developed and easier to navigate than Craigslist, and it leveraged the established KSL brand to

COMPANIES THAT PREVAILED

Personal finance software company Intuit responded to the threat from free rival Mint.com by purchasing the company. Mint.com, which makes money by selling access to its user base, lets Intuit maintain a free offering separate from its popular Quicken product.

Yahoo, the leading provider of free e-mail, responded to Google's entry by matching, and then exceeding, Gmail's free storage offer.

attract classified ads.

Deseret Media quickly benefited from network effects: More buyers went to ksl.com than to Craigslist because more sellers were posting there. The site generates revenue by charging advertisers that want to post regular ads as well as classified sellers who want preferred positions. The site's profits now exceed those of the traditional businesses, including the newspaper.

Meanwhile, Deseret Media has changed the newspaper's business model by cutting nearly half its staff and crowdsourcing some of its content. In 2010, the paper increased its print and online audience by 15 per cent, the second-highest growth rate in the industry. Overall, Deseret Media is thriving.

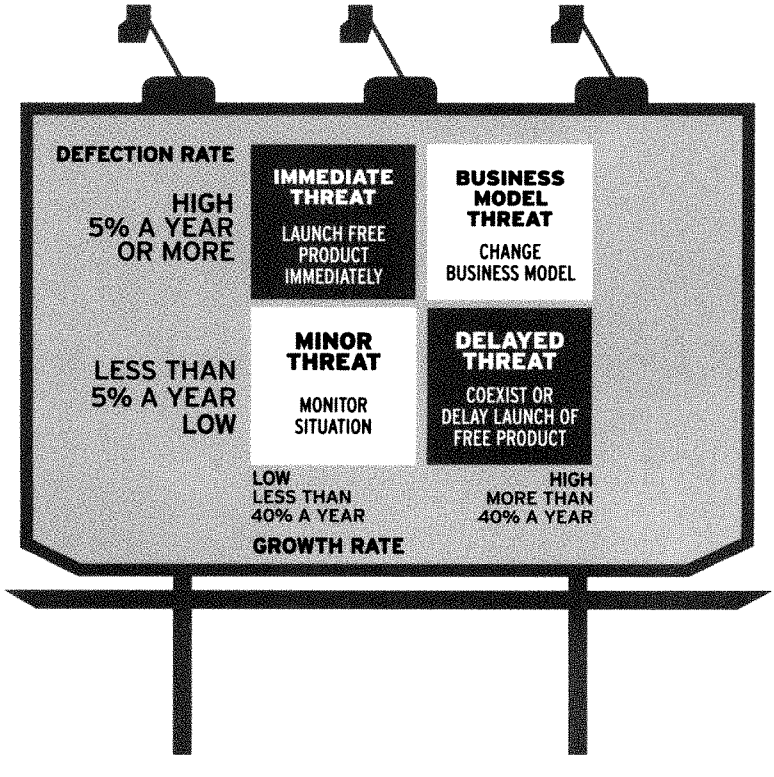
Yahoo is another example of an incumbent that prevailed by introducing a better free product. In 2004, Google launched its free Gmail service, which provided 10 times more storage than Yahoo, the leading provider of free e-mail at the time. As a new entrant, Google could afford to offer significantly more storage because it had relatively few users. A Google executive told us: "We don't do something unless it is an order of magnitude better – maybe five to 10 times better – than what others are offering, particularly if we have to get users to switch from another free product to ours."

Google's entry created a dilemma for Yahoo, which generated some revenue from up-selling (persuading users to pay for more storage or other add-ons) but much more from advertisers (its real customers). To match Google's offer, Yahoo would have had to buy warehouses of servers to provide storage for its 125 million e-mail users – an investment that would have generated no additional revenues.

Yahoo decided to respond in a way that sent a message to Google and to its own e-mail users and advertisers: It immediately announced that it would match Google's offer of one gigabyte of free storage. A couple of years later, it began to offer unlimited storage. Those moves left Yahoo users with no reason to switch to Google – and left Google with few options for offering a better free product. Although the increased costs hurt Yahoo's profits in the short term, the company's share of the e-mail market continues to be several times larger than Google's. But Google has not given up: Gmail now serves as a platform for the company's other free products, such as Google Docs and Calendar. In the long run, this could make Gmail the better free product.

The most important lesson from these cases? If your user base is vital to your revenue stream, you must quickly offer a free product that is comparable or superior to the new competitor's. If you can, you should try to crush that competitor or at least prevent it from becoming powerful enough to mount a serious challenge.

How Big a Threat Is "Free" Competition?



Rethink Profit Centres

Two obstacles prevent managers at established companies from making the leap to free strategies. The first is the deeply rooted belief that products must generate a respectable level of revenues and profits on their own. The second is the profit-centre structure and the accounting system it employs, which both reflect and reinforce this mind-set.

In stable competitive environments, profit centres are a godsend: They push P&L accountability down, usually to the

ऑयल इंडिया लिमिटेड
(भारत सरकार का उद्यम)
Oil India Limited
(A Government of India Enterprise)
Regd. Office : P. O. Duliajan, Distt. Dibrugarh, Assam - 786 602

Excerpts from Chairman's Statement at the 52nd Annual General Meeting

Mr. Nayan Mani Borah
Chairman & Managing Director

Dear Shareholders,

On behalf of the Board of Directors of your Company, Oil India Limited, it is my pleasure to extend a very warm welcome to all of you to the 52nd Annual General Meeting.

The Fiscal 2010-11 for your Company has been marked with a number of significant achievements. These include:

- Highest ever annual production of Crude oil and Condensate at 3.62 MMT.
- Highest ever Profit after Tax (PAT) of ₹ 2887.73 crores, an increase of 10.62% over last year.
- Highest ever Dividend payment of 375%.
- 250 Km long Duliajan – Numaligarh gas pipeline was commissioned and regular gas supply to NRL started in March, 2011.
- Six new hydrocarbon discoveries in Upper Assam basin.
- Based on its excellent physical and financial performance, your Company was rated "Excellent" in the MOU with GoI for the year 2009-10 and is expected to be rated at the same level during 2010-11.

PERFORMANCE RECOGNITION

You will be happy to learn that Your Company received a large number of appreciations and recognitions, for its achievements in different fields during the year, from different organisations /agencies. These awards and recognitions demonstrate total dedication and concerted efforts of all Oil Indians. Salient amongst these are:

I. First Prize for Oil Industry Safety Award in Oil & Gas Assets (Onshore) Category.
II. 360 Degree Growth award amongst all PSUs by Dalal Street Investment Journal
III. Oil & Gas Pipeline Transportation Company of the year award from Petrofed
IV. Golden Peacock Global Award for CSR for the year 2010

COMPANY SCENARIO

Your Company continues to be the second largest national oil and gas Company in India in terms of total proved plus probable oil and natural gas reserves and production for the year 2010-11.

In the first eight rounds of NELP bidding your Company had acquired thirty blocks, with operatorship in twelve blocks. In the recently concluded NELP IX round your Company has successfully competed for ten more strategically located blocks with operatorship in three of them and joint operatorship in two deepwater blocks.

Your Company's contributions stand at around 8% for crude oil production and around 5% for natural gas. While the average crude oil price for Indian basket hovered around US $85 per barrel, the net realization for your Company was of the order of US $57/bbl, in view of the need to share a portion of the under recoveries made by oil marketing companies.

PHYSICAL PERFORMANCE

During the year, your Company achieved the highest ever production of crude oil at 3.62 MMT. The terminal crude oil production rate as on 31st March 2011 was 3.80MTPA. Maintaining this growth trend, it has been possible to reach the current production rate of around 3.93 MTPA. Production of natural gas during the year was 2352 MMSCM.

As of March 31, 2011, the Company's 2P reserves stands at approximately 1 billion barrels of Oil + OEG. Your Company made six new oil and gas discoveries during the year in the State of Assam.

FINANCIAL PERFORMANCE

Your Company earned Profit after tax of ₹ 2887.73 cores compared to ₹ 2610.52 crore last year and this is the highest ever. This achievement is in spite of having to provide subsidy discounts to the tune of ₹ 3293 crore to Oil Marketing Companies. Improved financial performance has helped your Company increase its net worth to ₹ 15602 crores as against ₹ 13745 crore during the previous fiscal.

DIVIDEND AND CONTRIBUTION TO EXCHEQUER

Your Company paid an interim dividend @ 180%, based on the provisional financial trend of the Company. The Board of Directors is now pleased to recommend a final dividend @ 195% on the paid up capital making the total dividend 375% (last year 340%) for the year, subject to approval of shareholders.

It is also a matter of great pride that your Company's audited annual accounts have "Nil" comments from the Comptroller and Auditor General of India for the seventh year in succession.

STRATEGY FOR GROWTH

Growth remains the primary business agenda with key focus on Exploration and Production activities. In order to ensure competitiveness vis-à-vis industry players, your Company has undertaken growth initiatives towards streamlining the business process and practices with focus on the following :

Investing in state-of-the-art technology;

Adopting Integrated IT System, including ERP packages to enhance efficiency in decision-making;

Establishing a cutting edge VRC (Virtual Reality Centre) for improved exploration efficiency;

Addressing the challenge of integrating risk with corporate strategy and business plans.

EXPLORATION AND PRODUCTION:

Your Company continues to pursue its aggressive Exploration, Development and Production activities. As I have already mentioned earlier, your Company has been maintaining an increasing trend in crude oil and gas production over the last few years. This has been primarily possible due to i) Prioritization of development / in fill drilling, ii) Debottlenecking of production infrastructure, iii) Well Stimulation and servicing, iv) IOR/EOR and v) New discoveries brought on stream early.

PRODUCTION OF NATURAL GAS

Natural Gas is another area of priority for your Company. Your Company's present production potential is around 7.93 MMSCUMD of which 7.00 MMSCUMD is from N.E Region and 0.93 MMSCUMD is from the fields in Rajasthan.

A few important gas related initiatives are as follows:

- LNG – Project to bring down gas flare in the fields.
- Outsourcing gas compression facilities
- CBM: Your Company won a CBM block along with M/s Arrow Energy (now Dart Energy Ltd), who will act as the operator. Work is in progress in the block as per work programme.

- Shale Gas: Your Company has undertaken a strategic project to assess the resource potential of Shale gas / Tight gas in the operational areas.

OVERSEAS PARTICIPATION

Your Company now has overseas presence in nine countries, with acreage of 38605 Sq kms. The countries where OIL has presence are Libya, Gabon, TimorLeste, Yemen, Egypt, Iran, Venezuela, Nigeria and Sudan.

PIPELINE TRANSPORTATION

The crude oil pipeline operations ensured uninterrupted operation achieving throughput of 99.5% of off take in fiscal 2011 against 99.19% in fiscal 2010.

REVISION IN TRANSPORTATION TARIFF

MOP&NG & PPAC helped your Company in getting both the Reverse Segment & Forward Segment Transportation Tariff revised upwards from the year 2008-09. This decision also helped in generating additional yearly revenue of around ₹ 80 Crores and, in turn, making our Pipeline business profitable.

HUMAN RESOURCE – OUR ASSET

I am proud to say that your Company has a great team of employees, who, through their competence and commitment, are giving shape to our dreams and building a new future for your Company. The Company's Human Resources philosophy is to establish, build and retain a strong performance and competency driven culture with greater sense of accountability and responsibility.

HEALTH, SAFETY, ENVIRONMENT AND CSR INITIATIVES

Your Company has always committed itself to conducting business with a strong commitment for environment preservation, sustainable development, safe workplaces and enrichment of the quality of life of its stakeholders and the community at large.

I firmly believe that the purpose of any business can not be driven by profit alone. With this perspective, your Company's social welfare and community development initiatives focus on the key areas of education, healthcare and the overall development of basic infrastructure in and around its operational areas. Presently, over 1400 villages in Assam and Arunachal Pradesh have been covered under our welfare schemes.

GROWTH VISION

With India's energy needs projected to grow by 30% in the next five years, the future is indeed exciting and full of promise for your Company. As per our growth strategy, we are committed to enhance oil and gas production on a sustainable basis. Shale-gas prospects are being examined in the Nominated areas and will be exploited depending upon feasibility. Your company promised and has delivered an excellent all round performance with a steady long-term growth potential with substantial upsides.

Success in our exploration ventures under NELP and overseas will augment the production potential further. Down-stream integration, City-Gas distribution, new Pipeline business and entry into the non-conventional energy sector are new horizons to be conquered as the opportunities arise.

CARBON FOOTPRINT AND CLIMATE CHANGE

There is an urgent need to restructure the business from the 'business as usual' scenario of a carbon intensive economy to one that pragmatically reduces and offsets the emission levels. OIL has anticipated the implications of climate change impacts and, therefore, has taken steps to collaborate with stakeholders, and make environmental sustainability one of your Company's business principles.

CORPORATE GOVERNANCE

I would like to take this opportunity to reiterate your Company's commitment towards pursuing the highest standards of Corporate Governance. We have always been proud of our robust and transparent processes and structures in place. The effectiveness is evident from the fact that the Company has consistently had clean audit reports. Our Corporate Governance practices meet the stipulations of Regulators including the DPE Guidelines.

CONCLUDING REMARKS

It has been my privilege to preside over this AGM. The excellent performance of the Company in various fronts has been recognized by the market and your efforts have been duly rewarded by sustained positive market sentiments and a high grade corporate visibility. Your belief and faith in OIL shall surely help your Company to scale new heights in coming years.

ACKNOWLEDGEMENT

In conclusion, on behalf of the Board of Directors of your Company I thank all our stakeholders for their continued support, whose trust and confidence are pillars of strength in all our endeavors.

The Board wishes to thank the Government of India, various State Governments, Ministry of Petroleum and Natural Gas and other related ministries and the Governments of all the countries where OIL operates for their valuable support and guidance in your Company's business.

Finally, I would like to specially acknowledge the commitment and dedication of the entire OIL family in sustaining your Company Oil India Limited, a truly world class enterprise. Together, we certainly have come a long way, - but we have Promises to keep and we shall continue to grow!

Wish you all the best!

Jai Hind

Sd/-
(N.M.Borah)
Date : 24.09.2011 **Chairman and Managing Director**
Place : Duliajan

NOTE: This does not purport to be a record of the proceedings of the Annual General Meeting.

Why Microsoft Should Take Its "Free" Competition More Seriously

For the past four years, Microsoft's Office software has been under attack from free alternatives: Google Docs and Oracle's Open Office. Although Microsoft finally responded in 2010 with Microsoft Live, a free "cloud" version of Office, it waited too long and was not forceful enough to contain what could become a serious threat.

Microsoft's reluctance to embrace a free-product strategy is not surprising. Its office applications business has long enjoyed a near monopoly and has been highly profitable. And except for price-sensitive users such as college students and public entities, its customers have not flocked to the free products. Indeed, concerns about file incompatibility, the lack of functions in competing products, and the need to teach employees how to use new applications have kept the vast majority of Microsoft's target corporate customers in the fold.

But in our view, Microsoft has erred in not taking the defection among price-sensitive customers more seriously. Our survey of college students suggests that nearly 20 per cent now exclusively use free alternatives, up from about four per cent five years ago. According to a competitor, the number of students in the United States using Google Apps has increased from seven million to 10 million in the past two years, and about three million small-business users and some large institutions have adopted it as well. This is a big problem for Microsoft: Open Office and Google Docs will continue to improve, becoming more attractive to younger and newer users as well as price-sensitive institutions – especially those overserved by the function-laden Office suite.

So far, Microsoft Live doesn't seem to be effective in countering the free offerings of its competitors. There are several possible reasons. One is that Microsoft, unlike Open Office, doesn't offer a version that can be downloaded to and operated from an individual computer. Another is that Microsoft has not promoted its free product aggressively enough, and, as a result, it is not as well-known as Google Docs.

Judging from Microsoft's half-hearted response to date, the company doesn't want customers switching to its free product. This is a mistake. By sacrificing a portion of revenues from price-sensitive or overserved customers, Microsoft could prevent free-product competitors from expanding their foothold and give itself a better shot at retaining its most valuable customers: the business and power home users who are loyal today but could ultimately defect.

product level: they place revenue and cost streams in the hands of an individual, clearly identifying where the buck stops; and they provide a career ladder for those hoping to oversee units with larger budgets. But profit centres have a dark side: They make it impossible for an organisation to consider a product's revenues and costs separately – a perspective that's esential for conceiving and implementing a free-product strategy.

To fix this problem, profit responsibility must be pushed up to a management group that oversees revenue and cost streams from a much wider variety of sources than traditional profit centres do. Clearly, a company that relies primarily on free-product strategies, such as Google, will place this responsibility much higher in the organisation than one that uses free offerings as a small part of a more comprehensive strategy.

In addition to moving profit responsibility higher, companies with free business models generally place responsibility for revenue streams and cost management at lower levels, and in separate hands. *Revenue managers* in these companies pursue all possible ways to increase revenues – except product price. Clearly, the job requires creativity, but revenue is typically generated in the four ways mentioned above: up-selling, cross-selling, selling access to users, and bundling.

A separate set of *product development managers* is responsible for overseeing costs and building in product features that will expand the user base as rapidly as possible. On the basis of conversations with current executives at Google, we estimate that only the CEO and three or four senior vice presidents have P&L responsibility there.

Clearly, tensions can arise between the revenue group and the product development group, and it pays to spell out how they will be resolved. For example, Google's product development group can nix revenue models it believes would damage the user experience. When the two groups can't resolve disagreements, the senior managers with P&L responsibility – and sometimes even the CEO – arbitrate.

Another culprit that undermines many companies' ability to offer free products is the cost accounting system, which is excellent for averaging costs across large numbers of products and then allocating overhead but not for identifying the *actual* cost of the last product or service sold. The distinction between average

COMPANIES THAT IGNORED THE THREAT

The major airlines in Europe have been slow to respond to **Ryanair**, which offers free or deeply discounted tickets and charges for other services. Ryanair has made impressive gains in Europe; its share now exceeds that of Air France.

Satellite radio company **SiriusXM**, which offers subscription packages for its more than 180 channels, has done nothing to stem the loss of share to Pandora, which provides free radio over the Internet and generates revenue by charging for ad-free service and selling access to its user base to third parties.

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ABOUT THE RESEARCH

For five years, we have been studying companies that face competition from rivals offering free products and services. The 34 incumbents we've been following are in 26 product markets representing the digital and physical realms as well as the intersection of the two. The markets include airlines, automobiles, classified advertising, dermatology pharmaceuticals, Internet services, music, office applications, operating systems, personal finance software, radio, and telecommunications. Twenty-four of the battles between incumbents and free-product rivals have progressed far enough for us to judge the incumbents' actions. In two-thirds of those cases, the incumbents made the wrong choice: They introduced their own free offering too quickly, responded too slowly, or did nothing at all.

cost (what some call variable cost or total cost) and actual cost (what some call marginal cost) is important because the latter is almost always lower than the former, often dramatically so. Think of what it costs an airline to fly an empty seat on an otherwise full or mostly full airplane: essentially nothing. This principle applies in nearly every industry. Once an operation is up and running and costs are largely incurred, generating additional products or services adds very little to total costs. Company leaders can use this notion to their advantage as they consider alternative pricing approaches, such as free offerings. By stepping back from the cost accounting system, they may find flexibility they didn't realise they had.

An example from the pharmaceutical industry illustrates how the profit-centre structure and mind-set and the cost accounting system make it difficult for established companies to react when rivals offer free products or services. In 2008, specialty pharmaceuticals manufacturer Galderma (a joint venture of Nestlé and L'Oréal) launched Epiduo, a prescription acne lotion, in the United States. Because Benzac, its other acne product, was about to lose US patent protection, Galderma felt tremendous pressure to build Epiduo's US market share as quickly as possible. But in Europe, the product had met stiff competition from Duac, an acne gel made by GlaxoSmithKline (GSK). Expecting more of the same in the United States, Galderma decided to implement a programme to reimburse a patient's out-of-pocket costs for the product for as long as a year. In exchange for rebate coupons, customers gave the company their e-mail addresses. Galderma then sent them skin care tips, acne information, and special offers for its non-prescription products, such as cleansing bars.

Heavily rebating new drugs in the early days to build market share is a common strategy in the pharmaceutical industry. The hope is that once the company has won a substantial share, health insurance companies will agree to cover the drug, allowing the company to offset its development costs and make a profit before its patents expire. But incumbents selling established drugs are generally unwilling to take risks with pricing. Their cost accounting systems and P&L structures make them feel that they must cover their substantial product costs – which explains why GSK and other incumbents seemed paralysed when Galderma launched the rebate programme for Epiduo. One GSK executive told us: "We can't afford to match them, and we can scarcely afford to discount. So we're losing share."

In reality, the marginal cost – the material and labour – of a tube of lotion or gel is small (from a few pennies to a few dollars). Therefore, in the short run incumbents would have lost almost nothing if they had deeply discounted their products or matched Galderma's rebate. Moreover, like Galderma, they could have cross-sold products and, by breaking down the walls around P&L centres, used profits from other highly successful products to subsidize short-term losses in dermatology. This would have forced Galderma into the untenable position of giving away its product without growing share. The battle is ongoing, but so far Galderma's strategy has allowed it to gain customers and profitably cross-sell products.

Because free-product strategies entail experimentation and, admittedly, some risk taking, embracing them may require a cultural shift. Strong executive leadership will be needed to build the case for mounting a competitive response, revamping organisational structures, and questioning cost accounting information. When a free offering is a threat, few strategies are available besides meeting free with free. Incumbents that spend too much time looking for some other killer strategy often only defer the inevitable. By taking decisive action as soon as the threat is clear, incumbents can survive and thrive. ◆

David J. Bryce *is an associate professor of strategy,* **Jeffrey H. Dyer** *is the Horace Beesley professor of strategy, and* **Nile W. Hatch** *is an associate professor of entrepreneurship at Brigham Young University's Marriott School of Management.* *This article was published in* Harvard Business Review, *June 2011.* *All rights reserved.*

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Home Security Solutions

Consumer insights on Home Security Solutions & our Communication Strategy

Godrej has been synonymous with security since 1902- when they developed India's first indigenous safe. Their customer trust is legendary, reflected in the fact that when the Queen of Victoria visited India in 1905, she chose a Godrej safe to keep her valuables wherever she stayed in the country.
However lot of things have changed in the last 100 years (and especially in the last 10 years) – increasing affluence, increasing consumerism and economic boom. And with it an environment of financial crisis, increasing uncertainties and heightened security concerns. Anxiety Index (Millward Brown in 2009 among 500 adults) threw up that 3/4th of Indians said they were anxious/ nervous. And security issues (Terrorism and crime) were the primary drivers of anxiety- ranked even higher than cost of living, food prices etc. Anxiety seemed to be stemming lesser from recession than safety and security.
The demand for more modern and intelligent solutions from both the Institutional and Home segments increased over the last few years, contributing to a higher growth rate than before.
Also encouraging the foray of several new players like Eagle, Safewell, Honeywell etc. However, with less than 1% penetration in the home segment and the usage of basic security products such as CCTVs, the market was still a nascent one. And a hugely untapped one, considering the massive potential which seemed to be available, as a result of the change in the consumer context and the environment
Internal dipstick was done among consumers in both the Institutional and the Home segments. And different issues/ tasks emerged.
Clearly the problem seemed larger than just one brand's problem (and more at a category level). Nevertheless, Godrej would stand to gain the most, if it took care of the problem and drove the category.

An internal dipstick conducted among consumers in both the Institutional and the Home segments led to the emergence of different issues/ tasks

The Home segment: Gap between intention and action

Category problem: Similar to the Anxiety Index, the home owners expressed concern over security issues but did little more than worry. While most admitted that a home security solution was important, very few had invested in one.

Security as a category seemed to suffer from the inertia to act. There seemed to be complacency about security needs. While some felt that existing measures like peep holes, safety doors, security guards and the like were adequate others had not got down to actively thinking about it or seemed to postpone it, even if they felt the need for it.

The need to upgrade to better technology wasn't being truly bought into. They would rather spend in up-grading to an LCD TV than buying a safe for the house.

Security was more of a reactive step rather than a proactive measure.

Hence the relevance of our category had to be more strongly established, in order to convert intention into adoption.

The best way to avoid a war is to be prepared for one

Digging deeper to unlocking the key to action
What we had discovered were the symptoms and rationalizations of the problem. However we had to drill deeper to get to the root of those. And when we did so for both the segments, we arrived at similar mind blocks in both segments.

'Musibat kabhi, bata kar nahi aati'

The real problem: Sense of false optimism
Why was it that even after acknowledging the possible perils and everyday threats people were complacent about their security needs? Every day, they would be exposed to news channels blaring crime stories or even their acquaintances being robbed. A burglary happens every 15 secs - a scary but true fact

The real problem was a 'sense of fall optimism' or denial

"These things happen to people. But they have never happened to me and I don't think will happen to me"

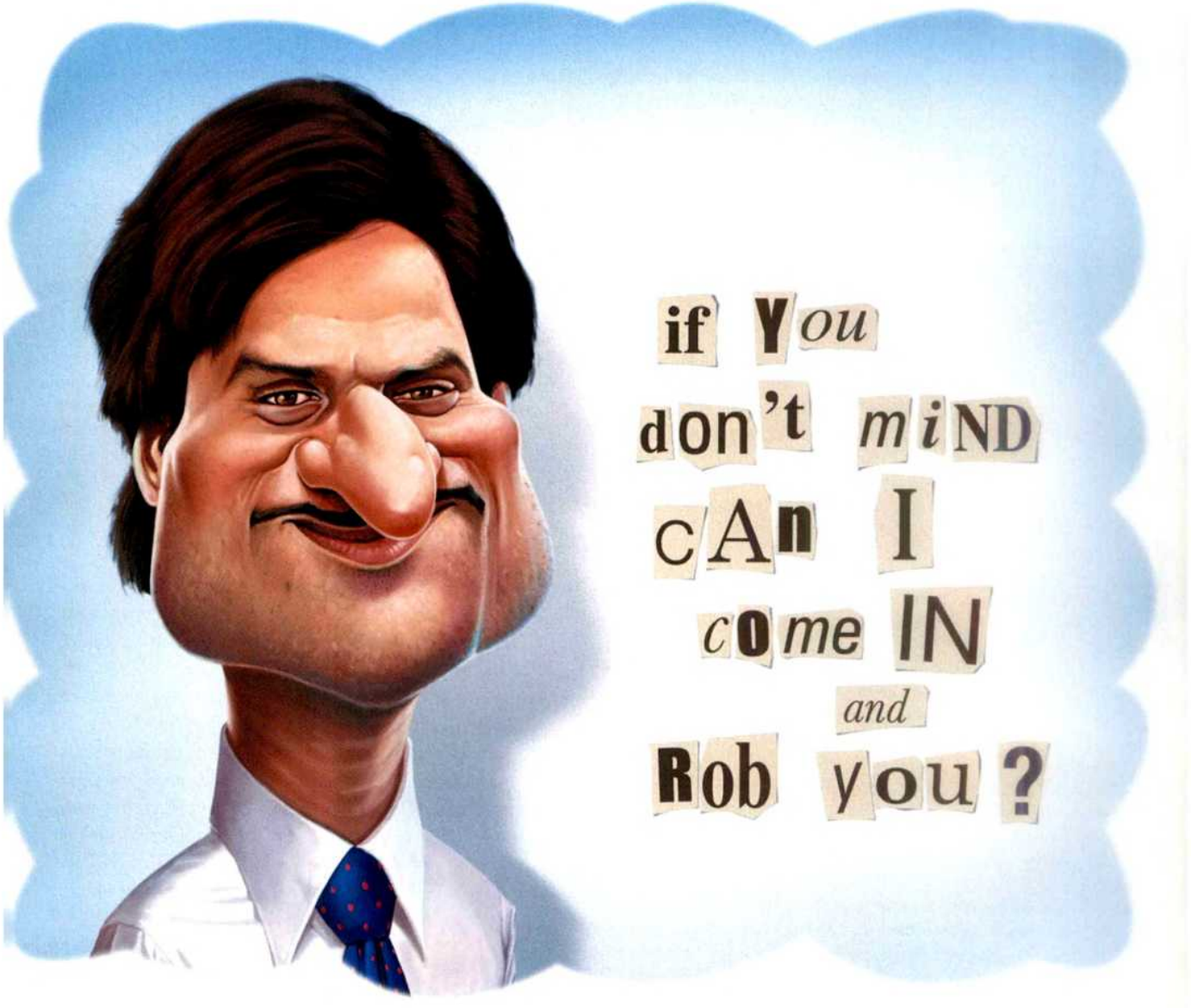
Our Communication strategy: Moving the consumer into action

1. Bringing the consumer face to face with reality: We decided we would be neither about smiling faces nor about fearful situations. Our argument would be rational, our context would be real and our emotional pay-off had to reward the decision to go in for a security solution.

In communication instead of stoking fear, we wanted to stoke vulnerability without raising the defense barriers of the consumers. In order to combat consumer inertia, the communication was made thought provoking and action oriented

2 Show the mirror in a friendly manner: We wanted to be the friend, who would gently expose their folly of invincibility, and then provide solutions to address their needs.

As a brand we had to be aligned to the overall corporate credo of 'Brighter Living' and hence would provoke them to think intelligently about their security.



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3. Thought Leadership: As a pioneer of Security Solutions for the last 100 years, we also had to communicate thought leadership.

Hence we articulated the brand essence as INTELLIGENT LIVING. And the brand's baseline was articulated as 'Be Intelligent, Be Safe'.

4. The Creative expression that articulated the strategy was an oft heard and a well endorsed idiom

'Musibat kabhi, bata kar nahi aati'
('Trouble doesn't come announced')

To create relevance and break clutter, we showcased situations which exposed the consumer's vulnerability by using irony to capture how trouble never announces its arrival. This was done in humorous manner to break the clutter and to lighten the grim message while making the point effectively. The piece was supposed to be a wakeup call of sorts - leaving the consumer with a powerful message of how trouble doesn't announce its arrival.

In order to validate if the idea resonated with the consumer, we tested the concept with them (Source: Third Eye, Sep 2009).

The idea was a resounding hit. It seemed familiar since it came from an oft heard and well endorsed idiom, and was highly relatable. Having a serious message told to them in a humorous manner, got the consumers engaged. They admitted that this unique tonality would definitely catch their eye and set them thinking about security. Consumers also felt the idea further enhanced the positive image of Godrej and given the nature of the communication, seemed almost as a 'statement of public interest' on behalf of Godrej.

How was the big idea brought to life?

1. Clutter breaking execution: In order to infuse humour in a grim message, we decided to personify 'trouble' using robbers. The irony of the situation is brought alive when these robbers instead of being flighty and shady like they should be, were actually friendly and sociable. They seemed very forthright and 'genuine' about their intentions, much to the plight of the obviously perplexed, unsuspecting home owner/ security guard.

2. Comprehensive security solutions: We highlighted a full spectrum of solutions, from home to Nuclear plants to establish our expertise in electronic security solutions. However for the Institutional segment, who were more evolved than the home owners, we focused on specific aspects of security, like entrance surveillance solutions, instead of addressing generic security concerns.

3. Maximizing impact through innovation: In order to enhance the impact, a direct marketing exercise was carried out in Mumbai, where torn envelopes were sent to home owners. The message inside the envelope stated, "For an experienced burglar, breaking into your home is as easy as this." Similar direct marketing initiatives were also carried out for the Institutional segment.

4. Reinforcing expertise through activation: The brand also undertook an on-ground and digital initiative – 'The Break-in Challenge', a large scale customer experience programme. Conducted across India, the initiative garnered huge interest and substantial conversions. This programme helped surface latent needs for security in homes and then proceeded to demonstrate the products and services offered by Godrej Security Solutions.

"There have been numerous terror assaults in the recent past, which have left the nation scarred. The crime rate has gone up with a recent spate of burglaries and robberies. However people tend to forget about these incidents and move on with their lives almost immediately, believing that they will never be the ones affected. The need of the hour is to be proactive, take a step towards ensuring our safety, living intelligently and to be safe rather than "lucky". Godrej Security Solutions understands this need and has therefore designed a highly efficient range of products that ensure your safety is never compromised."

Mr. Mehernosh Pithawala, Assistant Vice Presiden and Head, Marketing and International Business, Godrej Security Solutions

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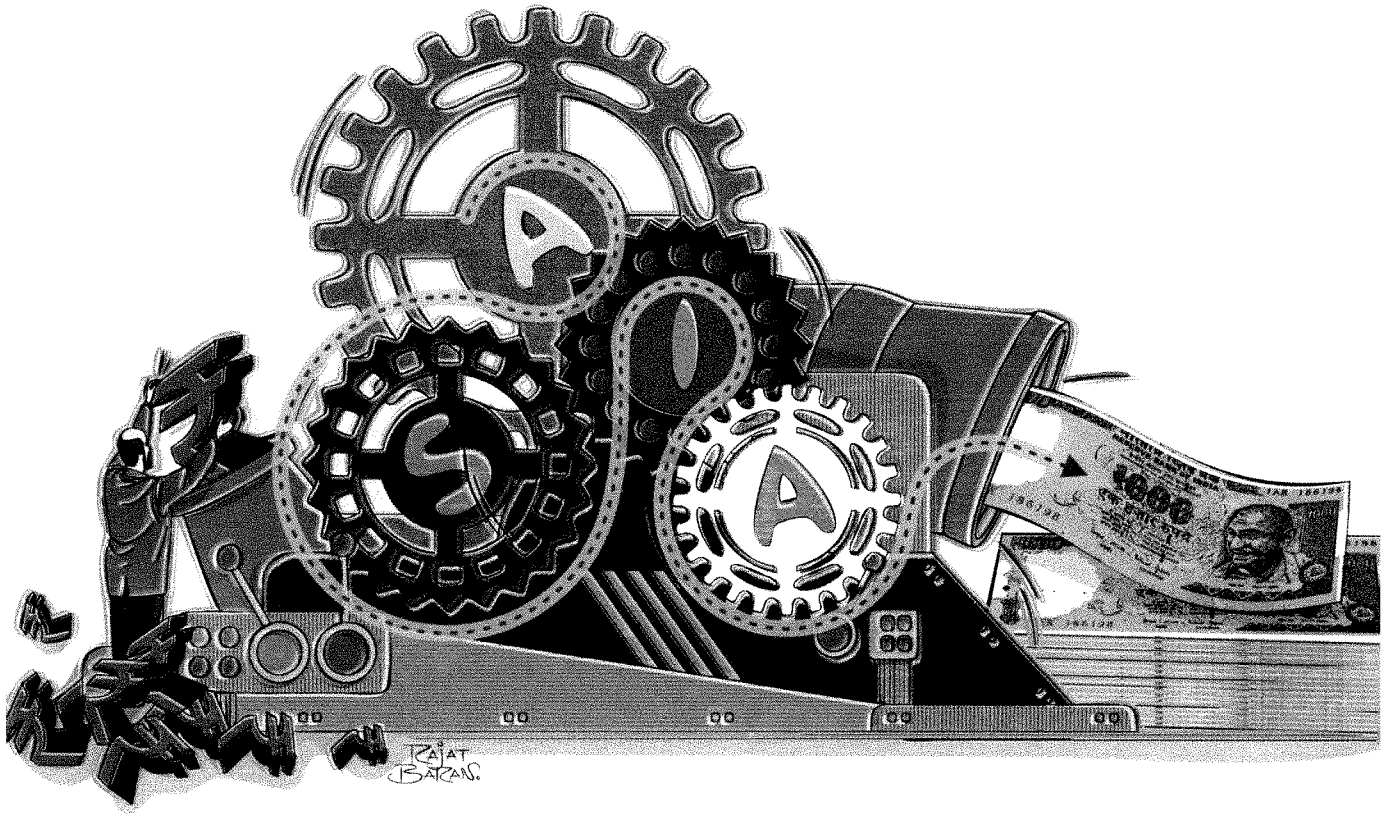
MONEY

GAINS ABROAD
FUNDS IN ASEAN COUNTRIES HAVE BEEN DOING CONSISTENTLY WELL



Asia Pips India

Investing overseas, especially in some east Asian countries, could make you richer. By TANVI VARMA

The performance of most diversified Indian equity funds has been poor compared to that of funds focused on international markets in the past year. Between July 27, 2010, and July 27, 2011, the latter have returned 15 per cent on average, compared to the two per cent return given by Indian large- and mid-cap equity diversified funds, as well as the Bombay Stock Exchange Sensex.

Harshendu Bindal, President, Franklin Templeton Investments (India), says developed markets have done well in the past year due to attractive valuations and hope of faster economic growth. "The Indian market has underperformed due to tepid foreign institutional investor inflows on the back of strong headwinds such as inflation, scams, high interest rates and policy inaction," he adds. The US market, for instance, gave 12 per cent returns between August 2010 and August 2011.

Hong Kong, Korea and Taiwan returned 9.2 per cent, 14.2 per cent and 8.5 per cent, respectively. The notable factor is the performance of countries in the ASEAN region, which led in returns. For example, Indonesia returned 22 per cent in the past one year, while Thailand returned 20 per cent. (See *Sunrise in the East*).

22% was the return that Indonesian markets made in the past one year; Thailand returned 20 per cent

The Propellant

As the global economy faced turmoil, emerging markets, especially those in Asia, showed resilience and posted large gains. Bindal says higher economic growth and healthy banking systems in most Asian countries should continue to help them capture a higher share of global output. "The economies of the region are better placed due to lower leverage, high savings and rising consumption," he says.

However, not all Asian funds have done well. One reason is the underperformance by China and India. Take Franklin Asian Equity Fund, which has returned eight per cent between July 27, 2010, and July 27, 2011. This is much lower than the 20 per cent return given by DSP-BlackRock World Gold Fund, DSP BlackRock Energy Fund and ING Optimix Global Commodities Fund.

Arindam Ghosh, Head, Retail Sales, JPMorgan Asset Management, says the ASEAN region is in a sweet spot. Apart from being rich in natural resources, the countries comprising the ASEAN have low debt. Their fast growing population will also fuel consumption. They are increasing spending on infrastructure as well. For instance, Indonesia is among the top five countries in mining potential, has the world's fourth largest gold reserves and is the world's largest thermal coal exporter. Singapore is a large financial services hub with a lot of liquidity and a thriving tourism industry. The region is likely to become a powerful economic bloc by 2025.

"From the Asia-Pacific growth standpoint, the ASEAN region will be next to India and China, with a big overlap with India in terms of youthful population and consumption," says Ghosh. Like India, the region – especially the Philippines and Thailand – offers cheap labour, which makes it strong at outsourcing.

Tushar Pradhan, CIO, HSBC Asset Management (India), says the region is big in manufacturing, with the West as its main consumer. It got a huge impetus after the slowdown in 2008 when banks around the world gave incentives to boost consumption. "This fuelled economic growth, which spurred manufacturing in the ASEAN region," he says.

However, with the financial stimulus ending, consumers in the West may not have the same ability to spend, especially with an unemployment rate of more than nine per cent. So will the growth in the region be sustained? The silver lining, says Pradhan, is that these countries have large economies and are increasingly trading among themselves.

The markets in the ASEAN

SUNRISE IN THE EAST

Most east Asian countries have outperformed developed markets like the US and Britain by a significant margin

MSCI INDEX*	YTD**	1-YR	3-YR	5-YR	10-YR
UNITED KINGDOM	-4.98	5.53	-4.65	-5.14	1.08
USA	-4.09	12.08	-1.92	-1.38	0.71
HONG KONG	-7.05	9.28	5.21	4.93	6.84
CHINA	-12.62	-5.21	-0.01	9.16	14.01
INDIA	-22.47	-8.68	1.92	6.69	16.95
KOREA	-7.78	14.28	8.74	4.04	15.33
TAIWAN	-15.17	8.59	2.60	2.28	4.30
INDONESIA	9.62	22.38	18.32	20.65	25.58
MALAYSIA	-2.31	7.30	14.23	12.96	10.38
PHILIPPINES	-1.34	13.26	12.71	12.18	10.56
THAILAND	-0.24	20.54	17.66	13.05	17.54
SINGAPORE	-7.53	3.89	4.93	7.58	9.05
THE WORLD INDEX	-6.01	8.25	-3.42	-2.49	1.70

*MSCI World is a stock market index of over 1,600 stocks
**Year-to-date
Source: policybaazar.com and company websites
All figures in percentage

WHERE THEY STAND

Most countries in the ASEAN region are already trading at par or higher than their five-year average price-earning multiples

	12-Month Forward P/E		Trailing P/BV*		EPS** Growth	
MSCI INDEX	CURRENT	5 Yr AVG	CURRENT	5 Yr AVG	2011	2012
India	14.4	16	3.2	3.9	19.2	18.1
Singapore	13.6	14	1.8	1.9	5.1	11.2
Indonesia	14	12.5	4.2	4	19.2	16.2
Malaysia	14.1	14.2	2.3	2.1	13.8	12.1
Thailand	11.6	10.3	2.4	1.9	13.9	16
Philippines	14.3	13.8	2.7	2.5	8.7	10.5

*Price-book value ratio
**Earnings per share

All figures in percentage
Source: policybaazar.com and company websites

INDIAN AMCs* THAT FOCUS ON ASIAN MARKETS

The most popular products for investing abroad

		RETURN	
FUND NAME	LAUNCH DATE	1-YR	3-YR
Franklin Asian Equity	12/1/2007	3.55	7.29
Goldman Sachs Hang Seng BeES (ETF)	2/1/2010	-2.81	--
JPMorgan JF ASEAN Equity Off Shore	6/1/2011	--	--
JPMorgan JF Greater China Equity Off-shore	7/1/2009	5.64	--
Mirae Asset China Advantage	10/1/2009	1.56	--

*Asset Management Company

All figures in percentage
Source: policybaazar.com and company websites

region have risen significantly in recent months and seem to be close to their fair valuations *(see Where They Stand)*. Indonesia, Malaysia and Thailand are close to or above their average five-year price-earning, or P/E, multiple.

Corporate Earnings

Ghosh says people should invest in these markets not for their valuations alone, but also because corporate earnings growth is likely to be 15 to 16 per cent per annum. The Institutional Brokers Estimate System – a service that gives data on corporate earnings – believes the region is set for a fair degree of upgrades. In contrast, corporate earnings growth in India, which was 22 to 23 per cent a few quarters ago, has moderated to 17 to 18 per cent, with chances of further downgrades, says Ghosh. In China, too, the growth in corporate earnings has been just 15 to 16 per cent in the last few quarters.

At present, the only way Indian investors can take part in the ASEAN growth story is through JPMorgan JF ASEAN Equity Off-shore Fund. It buys units of JF ASEAN Fund, which primarily invests in companies of countries that are ASEAN members. As on April 2011, it saw a compound annual growth rate of 19 per cent, based on a five-year record of investing in the ASEAN region.

> "The ASEAN region is in a sweet spot. Apart from being rich in natural resources, the countries there have low debt"
> **Arindam Ghosh**
> **Head, Retail Sales, JPMorgan Asset Management**

Although the region offers attractive opportunities, Bindal says investors must focus on long-term trends and fundamentals of companies rather than overall economic growth. He says from a medium- to long-term perspective, funds offering overall Asia exposure instead of just focusing on ASEAN have the potential to deliver better risk-adjusted returns.

China too is worth considering for investment, though currently valuations here are among the lowest. The country is trading at 11 times earnings compared to its long-term average of 14 times. Stocks of real estate companies in China have been beaten down to 50 per cent of their net asset value, while banks are trading at 9x forward earnings. With fears of the economy worsening overstated, low valuations and expected earnings growth of 15 to 16 per cent, China is a great investment for the short to medium term, Ghosh suggests.

There are various China dedicated funds on offer. These include Mirae's China Advantage Fund and JF China Equity Off-shore Fund. Investors can also put money in Hang Seng Bees, an exchange-traded fund offered by Benchmark Asset Management which invests in Hang Seng constituents (the Hong Kong stock exchange). "Further, if we look at the performance of indices of various countries over long periods, say the last 10 to 12 years, no single country has been the best or worst performer in any two consecutive years," says Ghosh.

This highlights the fact that countries offer different growth opportunities in different ways at different points in time, making it imperative to diversify across countries and regions. "All investors should have a majority of their exposure to core, diversified funds that offer regional or global exposure and then move to country-specific or thematic funds," says Bindal. ◆

Courtesy: *Money Today*

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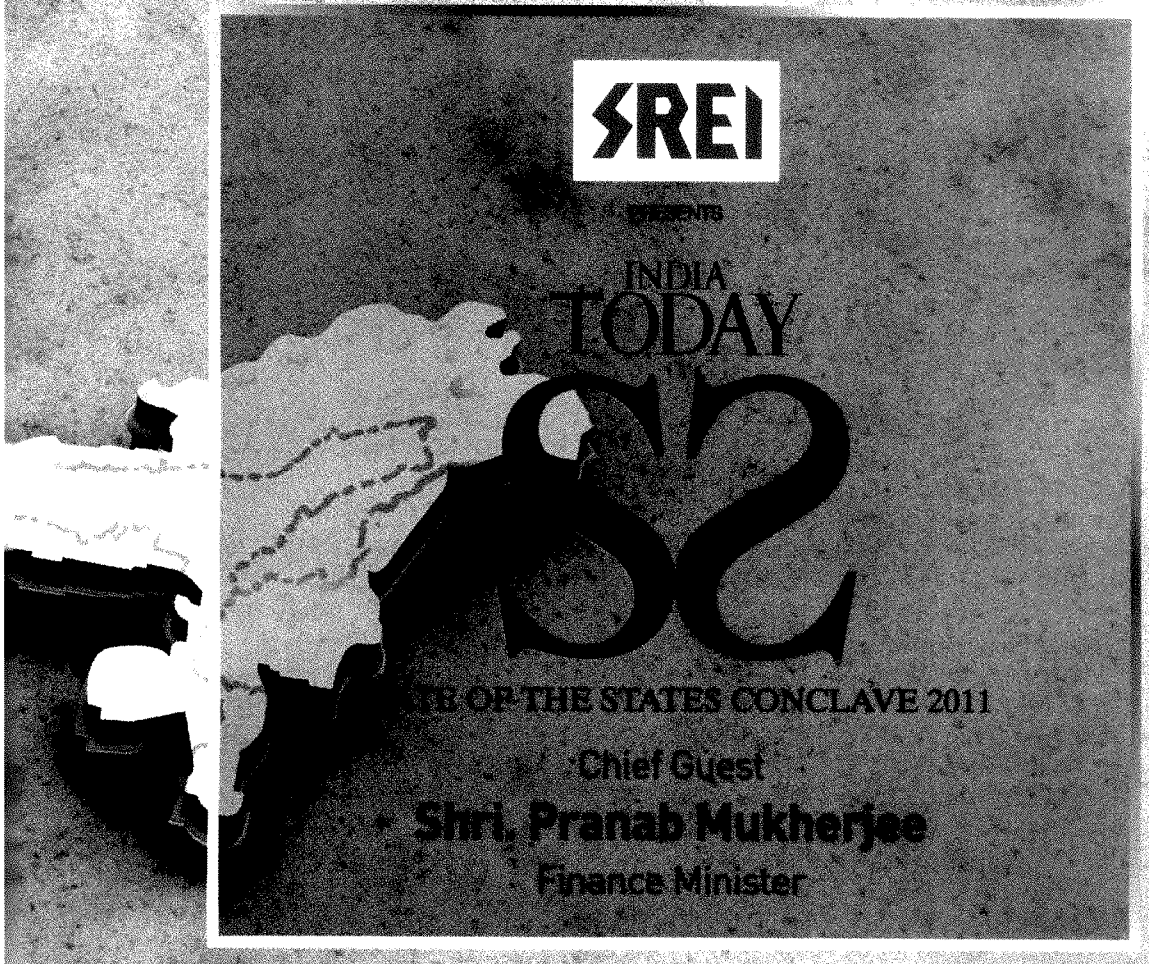
WHO NAILED IT? WHO FAILED IT?

The state of India's states decides the direction in which the country goes—successfully upward or spiraling downward. Those that have turned the wheels of progress deserve acclaim for the effort. Know who made it and who didn't at the State of the States Conclave



VENUE: Hyatt Regency, Bhikaji Cama Place, New Delhi

DATE: November 04, 2011

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PRO-AM OF CHAMPIONS 2012

High Tee

The oldest pro-am in the country – *BT*-Honda Pro-Am of Champions – hits the road for the 17th year.

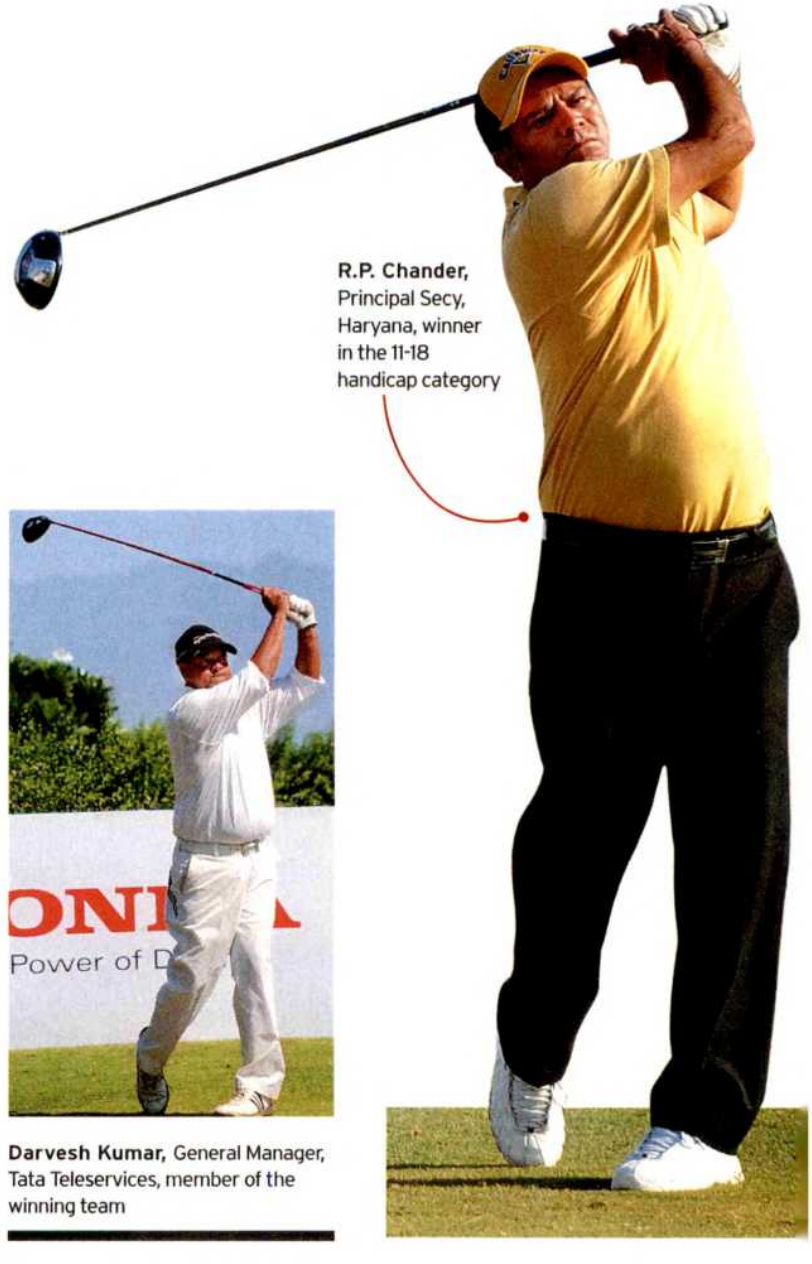
By ANAND J.

With the air getting nippy in northern India, a new season of golf tournaments has begun. It was a languorous Saturday morning, October 15, when the prime movers of the corporate community in Chandigarh converged at the Panchkula Golf Course, or PGC, for the inaugural event of the oldest and most popular Pro-Am in the country. The 2012 *Business Today*-Honda Pro-Am teed off with a full house of participants.

It was a first for the 135-acre PGC and the club was primed to pristine shape to host the northern zone leg of the tourney. The only other time the event was held in this city, the Chandigarh Golf Course played host.

Not surprisingly, the participants made the most of the benign weather and the true roll of the ball on the greens. "This is a very well-maintained course, beautiful surroundings, perfect golfing weather and above all, a superbly organised tournament," said Brig. R.S. Dagar (retd). "The lunch fare, the prizes... everything is up there with the best." He added that passionate golfers did not have to necessarily win to enjoy the tournament.

Ravi Verma, a marketing professional, said the tourney was an opportunity to play golf, meet people, and enjoy good food and drinks. On his chances, he said: "You can't play golf just like that. We professionals find it difficult to find time for practice. It also depends a lot on



R.P. Chander, Principal Secy, Haryana, winner in the 11-18 handicap category

Darvesh Kumar, General Manager, Tata Teleservices, member of the winning team

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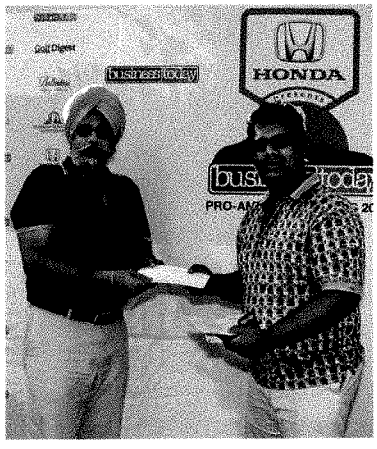
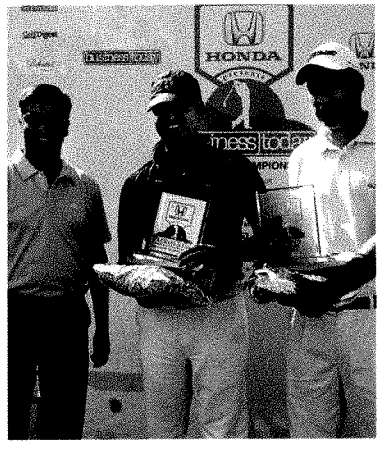
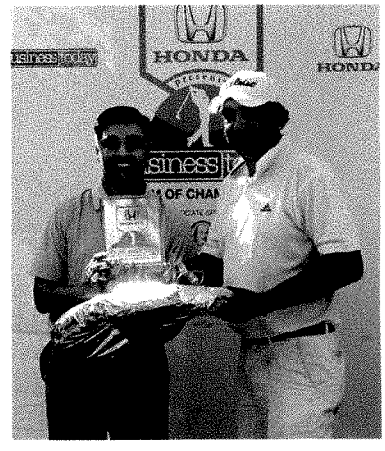


Peter Rohan Malik, representing The Address Group, with **S.P.S. Matharoo** who won the surprise trip to Dubai



Ravi Verma and **I.P.S. Mann,** members of the runners-up team, with **Rakesh Sidana,** Zonal Manager (North), HSCI



Rakesh Jolly, winner in the 0-10 handicap category, receiving the prize from **Rakesh Sidana**

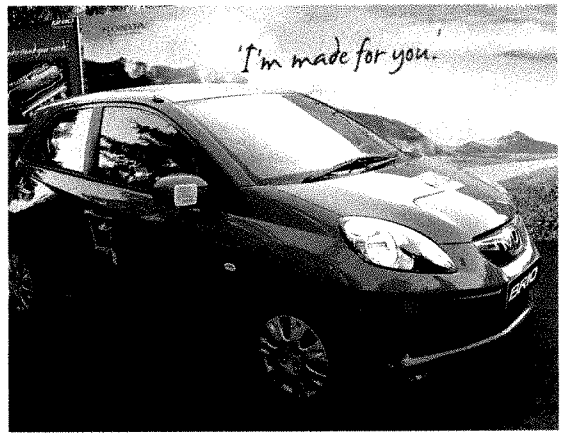
the day's golf."

After a fiercely-contested battle among the better players in the draw, Rakesh Jolly emerged as winner in the 0-10 handicap category, with a commendable 41 points to qualify for the National finals. Joining him were R.P. Chander and Anil Gulati, winners in the 11-18 and 19-24 handicap categories, respectively. Both played out of their skins – and seven shots better than their adjusted handicaps! – to tally an impressive 43 Stableford points each.

Jolly was elated with his effort. "The greens were perfect and my putting was great," he said. "It was difficult to drive straight because of the prevailing wind. I had a great birdie on the 5th." Jolly is no stranger to competitive sport – he played first-class cricket, and was introduced to golf by none other than cricketing icon and scratch handicapper Kapil Dev.

R.P. Chander, Principal Secretary, Sports Ministry, Haryana, acknowledged it had been an exceptional day for him on the green. "On a lucky day, all your shots go exactly as you visualise them. The longest drive at the 8th hole was the special shot of the day for me," he said.

The quartet of Darvesh Kumar, Nirupti Bhalla, Ranjiv Dahuja and Harinder Singh Chehal tallied 117 points to bag the team honours. Coming in second was the team of I.P.S. Mann, Amarinder Brar, J.S. Rathee and Ravi Verma with110 points. The teams were selected randomly, which added to the fun quotient of the tournament.



The all-new Honda Brio: On display at the venue

The results were announced over lunch by Vipul Hoon, General Manager (marketing), *Business Today*, and awarded by Rakesh Sidana, zonal manager (north), Honda SIEL Cars India.

The team winners won a trip to Dubai to stay and play golf at 'The Address', which is one of the sponsors of the *BT*-Honda Pro-Am of Champions. Peter Rohan Malik, business development head, India, The Address, felicitated the team winners. The coveted hole-in-one prize – a Honda CRV – went abegging as none of the participants managed to ace the par-3 4th hole.

ITC Hotels and Franklin Templeton Investments were the associate partners, while equipment partners PING gave away gloves to the winners at an on-the-spot contest (closest to the pin) on the 2nd hole. Spirits at the event were kept flying high by Ballantine's. Neo Sports was the TV partner for the event, while *Golf Digest India*, as always, remained the official magazine partner.

The forthcoming legs of the tourney will be held in Kolkata, Bangalore and Mumbai. The National finals are scheduled for the first week of March 2012. The action now shifts to Kolkata for the Eastern zone regional leg, which will be held on November 5. ◆

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Prop No More

The backdrop of many successful Hindi films, Punjab takes centrestage with its own string of hits.

By ANAND J. and ANUSHA SUBRAMANIAN

Source: boxofficeindia.com

*All figures are net domestic box office collections

The caterpillar has turned into a butterfly. Punjabi cinema, for decades one of the most sluggish and least noticed of regional cinemas, has undergone a transformation. More films are being made with production values much higher than before; investment is pouring in and returns are breaking records.

Well into the first few years of the 21st Century, barely six to seven Punjabi films were produced every year. In contrast, the number of films released this year will touch 17 by the end of December. Two of them – *Jihne Mera Dil Luteya* (The One Who Stole My Heart) and *Dharti* (Earth) – are already blockbusters, with *Jihne Mera Dil Luteya*, released in September, becoming the biggest grosser among Punjabi films. Made on a budget of ₹3.5 crore – steep for a Punjabi film – this romantic comedy has already raked in ₹6.75 crore in the domestic market and another ₹5.8 crore in markets across the

GOLD RUSH

Corporates like Eros, Tips and T-series have taken the lead in producing Punjabi films

Budgets have increased from ₹50 lakh in 2000 to ₹1.5 to ₹3.5 crore currently

United States, Britain, Canada and Australia, where thousands of Punjabis are settled. *Dharti*, a political drama, made for ₹3 crore, earned gross ₹5 crore locally and gross ₹4 crore overseas, says director Navnait Singh.

Equally important, at least four film companies, which until recently made films only in Hindi and the southern languages, have forayed into Punjabi. *Jihne Mera Dil Luteya*, for instance, was produced by Tips Industries, the music giant. BIG Pictures, part of the Anil Dhirubhai Ambani Group, has made two Punjabi films so far, one of which, *Mera Pind* (My Home) was a hit in 2008. Eros International, which has had recent Hindi hits like *Zindagi Na Milegi Dobara* and *Ready*, entered Punjabi cinema initially as a distributor in 2008. In early October this year, it signed a contract with the production company owned by Jimmy Shergill, the current superstar of Punjabi cinema, to make four Punjabi films.

T-series, another top music-cum-film production company, has co-produced two Punjabi films. Two other leading production houses, UTV Motion Pictures and DAR Motion Pictures – part of the Dubai-based DAR group, which makes both Hindi and Marathi films – are also likely to enter the Punjabi fray soon. Formerly there was no sustained – let alone corporate – funding of Punjabi films, with most being made at the whim of wealthy individuals.

What accounts for this increased interest? "Multiplexes emerging in small towns are fuelling the growth," says Kamal Jain, Group Chief Financial Officer at Eros International. Against four multiplex screens in 2007, Punjab now has 36, thereby greatly expanding the middle class audience.

Financiers have also realised that regional films, including Punjabi ones, cost far less to make and are wrapped up far more quickly than Bollywood films. While the average Bollywood film costs around ₹7 to 10 crore to make and takes at least 12 to 18 months to complete, the average Punjabi offering has a budget between ₹1.5 and

New overseas markets such as Australia, New Zealand have opened

Punjabi cinema is a ₹50-crore industry at present

On an average, about 15-20 A-grade films are made annually

"I Do Punjabi Movies Out of Love"

JIMMY SHERGILL, *debuted in cinema with Gulzar's* Maachis *15 years ago. He has made his mark in Bollywood as well as in Punjabi movies. His biggest hit so far in Punjabi is* Dharti, *released this year and directed by Navnait Singh. Shergill spoke to* BT *in Mumbai. Edited excerpts:*

On the Punjabi film industry

The Punjabi film industry has come a long way since the 1990s. The man who changed the face of the industry is ace cinematographer Man Mohan Singhji who has done films such as *Dilwale Dulhaniya Le Jaayenge*, and *Darr* with Yash Chopra. His first Punjabi film, *Jee Aayan Nu*, in 2002 was the turning point. He also gave me my first break, *Yaaran Naal Baharan*, in 2005. Currently, the industry is progressing well. Several young directors are coming forward.

On producing Punjabi films

So far, I have done six Punjabi films. I do Punjabi films out of love. I want to revive it as sensible cinema, one which entertains and also makes money. We have a rich culture and an excellent overseas audience. The market has huge potential.

On the tie-up with Eros

Jimmy Shergill Productions' association with Eros will bring in a corporate approach to the making of Punjabi films. Punjabi cinema is growing with every film. This tie-up will help in marketing and promotion of the films on a global platform. Our first film *Taur Mitran Di* will release this month.

₹3.5 crore and can be wrapped up in six to nine months.

Though the first Punjabi film was made as early as in 1936, the industry, overshadowed by Bollywood, has had a chequered run. Even today, it operates out of Mumbai, there being no film studios in Punjab. A fair number of Punjabi films were made in the 1970s, but few made an impact. "In those days filmmakers were inspired by the loud Punjabi cinema from across the border in Pakistan," says Singh of *Dharti* fame. "The language and stories were not too appealing and most audience could not connect with them." Thereafter, the prolonged insurgency in Punjab in the 1980s virtually killed even that effort.

The new Punjabi cinema, insiders agree, was born in 2002, with the release of *Jee Aayan Nu* (You're Welcome), distributed by T-series and directed by Man Mohan Singh, who had been film director Yash Chopra's chief cinematographer for years. Its plot – about a young man torn between his desire to remain in India and his wife's family's insistence that he shift to Canada – was a complete break from the crude melodrama of the past. Beautifully mounted and shot, on a budget of ₹2 crore at a time when no Punjabi film cost more than ₹50 to 60 lakh, it earned net ₹4.5 crore.

"Thanks to the corporate producers, Punjabi films are now technically on a par with Hindi movies," says Surender Talya, chief of Lakshya Movies, which distributes films across Punjab. The plots have much more variety than before; with the generous budgets, the films are also being shot in exotic locales across the country and abroad, unlike before, while some of the best of Bollywood's technicians take care of their production values. Punjabi cinema is still only a ₹50-crore industry – minuscule compared to Hindi's ₹4,000 crore juggernaut – but still substantial. "After the four film industries of the South, the Punjabi film industry is the biggest among regional cinemas," says Bhushan Kumar, Chairman and Managing Director, T-series. ◆

NISHIKANT GAMRE

***"Jinhe Mera Dil Luteya* has broken all records. It clocked revenues of ₹2.70 crore in its first week"**

Kumar Taurani, Chairman & Managing Director, Tips Industries

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Aiming High, Falling Short

Many low-cost tablets are unfortunately low-value as well

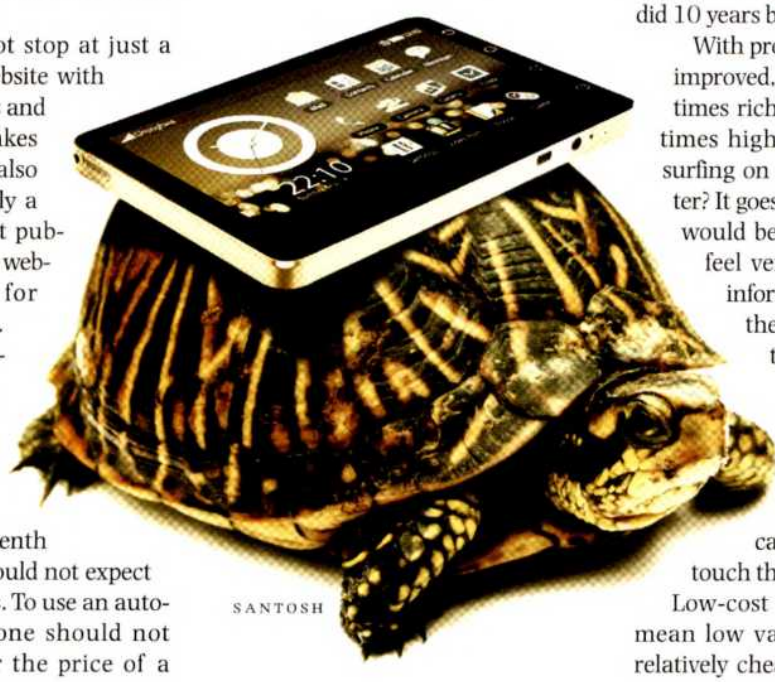
One thing can certainly be said about most of the low-cost tablets that have invaded the Indian market: they are slow. No, scratch that. Some are very slow. *Angry Birds*, developed by Finnish computer game developer Rovio Mobile, is hardly graphic-intensive, but when you try and play it on one of the low-cost tablets, the birds you fire from the catapult invariably jitter across the screen.

And it does not stop at just a game. A heavy website with embedded graphics and videos not only takes forever to load, it also renders poorly. Only a few online content publishers have created websites optimised for mobiles and tablets.

Someone recently said it is not fair to compare an Apple iPad to a low-cost tablet. After all, when you are paying a tenth of the cost, you should not expect the same standards. To use an automotive analogy, one should not expect a BMW for the price of a Tata Nano.

The trouble with a low-cost tablet as compared to a low-cost car is that while the latter can still perform its basic function – that of getting its user from point A to point B – the former has difficulty in performing one of its core tasks, which is to surf the Internet smoothly. It is not just the fact that the touch screen is slow and the performance is abysmal, some of the tablets just feel cheap.

Some of you may recall that in 2008/09, there was a rush of 'netbook' laptops. The sales of these smaller, lighter and significantly cheaper laptops went through the roof. Computer manufacturers told buyers they did not need extreme processing power. Eventually, 'vanity' netbooks also came along with higher performance and fancy features. Yet, the low-power, low-cost processor, which was at the heart of most netbooks, could not render a movie very well.



SANTOSH

Then the iPad came along. It was even lighter and smaller than the netbook – and more expensive. But you could watch a movie on it and play some pretty snappy games, too. It could do everything a netbook could do.

Yes, there is a market for low-cost tablets and the 'law' formulated by Gordon Moore, founder of microprocessor manufacturer Intel, stating that processor power will double every 18 months while prices keep falling, still broadly holds true. Even the cheapest tablets today have more processing power than the average computer of a decade ago and, adjusting for inflation, they cost less than five per cent of what computers did 10 years back.

With processing power having improved, graphics are now 10 times richer and Net speeds 50 times higher. Can you imagine surfing on a 10-year-old computer? It goes without saying that it would be slow and you would feel very frustrated. On the information superhighway, the 'very slow' lane is not the one you want to be in. In some countries, there is a minimum speed limit on expressways. Some low-cost cars would find it hard to touch those minimum speeds.

Low-cost need not necessarily mean low value. There are some relatively cheap tablets that do not compromise on performance. They may not be as fast or as sexy as the iPad; they may also cost more than twice the cheapest tablets in the market. But they work. Yes, it is imperative to bridge the digital divide in India. The access to information can play a vital role in helping millions escape the clutches of poverty. But do not patronise them by giving them sub-standard goods. They deserve better. ◆

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Inspire the Next

Neither Fight Nor Flight

Self-awareness is needed to turn confrontation into consensus

What is your take on the striking workers at Maruti's Manesar plant? Yes, there are unmet demands. Sure, both workers and the management have their grievances. But above all, there has been a breakdown of dialogue.

There are few winners when two sides take hard positions during a disagreement, as in this case. A third option is rarely found that goes beyond the two opposing views and seeks to benefit both parties.

It is much the same at the individual level. Most of us, whether at work or elsewhere, are familiar with the frustration that comes from our strongly held views meeting resistance. A manager of a large multinational company quit his job because, during an important discussion, his view was summarily dismissed. A handsome salary, a pretty decent existence all told, could not compensate for what he felt was an absence of empathy in his colleagues and bosses.

"I had a point of view on a certain project," he says, unwilling to be identified. "When I was scoffed at, I kept quiet but the incident stayed with me. I quit when an opportunity came my way." Would he have done better to have pursued the matter, insisting he be heard? Should he have asked those who opposed him to explain? "Perhaps, but I took it in my stride," he says. "However, it led to my walking out of the company."

People respond to opposition or put-downs in different ways. Some fight back. Some portray themselves as victims, hoping someone else will intervene for them. Still others dodge the issue by trying to 'think positive' and living in a state of denial.

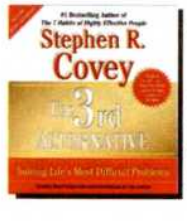
Actually, sharp differences of opinion need not lead to acrimonious feelings or deadlocks. But each of us has a responsibility to understand ourselves and respond to confrontations in a healthy manner. Most of us do not take the trouble to evaluate our own triggers, motives and blind spots. The paradigm should be 'I see myself'. It is usually: 'I see my side'. "In any conflict, how we *see* things determines what we *do*, and what we do determines the results we *get*," says Stephen R. Covey in his latest book *The 3rd Alternative*.

The biggest successes are achieved when people, businesses or governments reach out for a third alternative during conflicts, says Covey. "It's not your way, and it's not my way. It's a higher way," he adds. Among his examples of those who sought such a way, are Mahatma Gandhi and scientist Ashok Gadgil, who tackled the problem of providing safe drinking water to the poor in a unique manner – by inventing a low-cost water purifier which uses ultraviolet rays. He also mentions the makers of LEGO toys, who chose to let customers make their own designs for the toys – instead of seeing the initiative as a threat – and thereby created a new business model.

From 'seeing oneself', one has to move to seeing others as individuals, not stereotypes. "'I see you' (is then) followed by 'I seek you out' and, finally by 'I synergise with you'," says Covey. So long as people keep labelling others – 'boring', 'bossy', 'unfair' and so forth – they have not understood where they themselves stand and where they want to go. 'Fight or flight' remains their response.

Let us hope the participants in the 'Occupy Wall Street' movement against unequal wealth distribution and corporate greed, currently raging in the United States, realise this. We will wait and watch how the stand-off progresses. ◆

SUGGESTED READING



THE 3RD ALTERNATIVE

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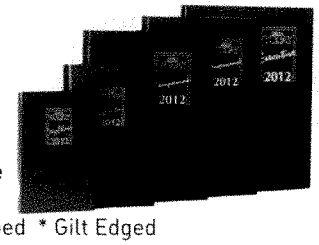

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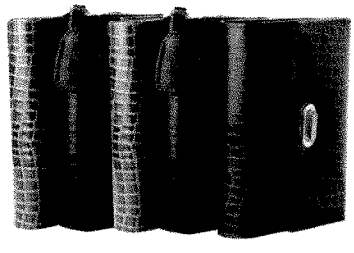

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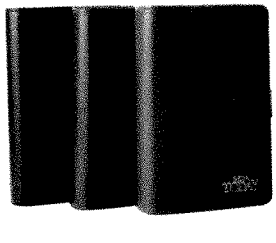

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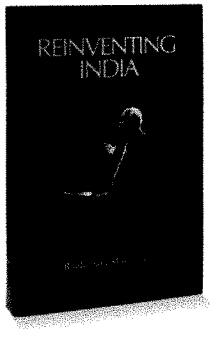
Inspiring Life, Inspiring Book

Mashelkar sets forth a route map for young scientists, says V. Prakash



Reinventing India
By Raghunath Mashelkar
Sahyadri Prakashan
Pages: 403
Price: ₹699

R. A. Mashelkar is an institution. How did one man achieve so much in such a short span of time? As I read this book, this question kept popping up in my mind. And "extraordinary" is the only word I can use for his achievements. This book is yet another jewel in the crown of Mashelkar's amazing achievements.

His career began at a time when Indian scientists were leaving the country in droves for better prospects, but by the time it ended, multinationals had begun making India a hub for their research and development.

Let me begin at random, with the chapter on 'Protection and Prospecting' of the Indian knowledge system, in which the section 'Journey so far', reveals the firm foundation on which this global scientist built his career with utmost determination and "a confident and dangerous optimism" which he displayed in all the areas where he made a mark. This book will encourage scientists, managers and policymakers to take risks for the benefit of one and all, as well as to keep the nation's flag flying high.

The chapter on the need for Indian science and scientists to raise the bar is indeed very bold. Mashelkar addresses the question of what it will take for a resident Indian to win the Nobel Prize. He sets forth a marvellous route map for the youngsters of today to follow, which could lead them to win not just one Nobel Prize, but perhaps two, and in different fields, just as Marie Curie did. Mashelkar then shifts gear, discussing the subject of nation building through technology. Any technologist who fails to read this chapter will certainly miss out on the engine of technology today.

On building an innovative India, Mashelkar says the "innovative ladder" needs no wall to lean on. Nor does it need many people to support it. It should be self supported and should be a ladder that keeps increasing in height as one climbs up. Mashelkar himself has done this in his career, opening up vistas and arenas.

Having grown up in poverty in a Mumbai *chawl*, and having had to often study under streetlights, Mashelkar is not deterred by the lack of expensive laboratories or other facilities in India. He highlights the importance of 'Gandhian Engineering' in finding practical solutions for the country's problems.

India is still a poor player at the patents game, he says, and must learn how to convert the knowledge produced by researchers into wealth – patents that are monetisable.

This is a book that Indian students, faculty members, scientists, policymakers and researchers should all read. If necessary, they should re-engineer themselves to tackle India's challenges. It is a book that will help them reach out to those considered unreachable, in rural India and urban slums. ◆

The author is a distinguished scientist of the Council for Scientific & Industrial Research, at JSS-MVP, JSS Technical Institutions Campus in Mysore

"India must learn how to convert the knowledge produced by researchers into wealth – patents that are monetisable."

BOOKMARKS

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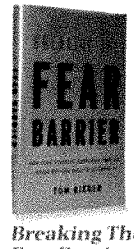
By Rob Yeung
Macmillan
Pages: 314
Price: ₹499

Persuasion is the new-age mantra to get all that you want – a good job, a business deal or even a perfect match. Yeung explores the trends and truths of how to wield influence.



Breaking The Fear Barrier
By Tom Rieger
Gallup Press
Pages: 151
Price: ₹1,252

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Temping Temptations

There are advantages in taking up temporary employment, says Manasi Mithel

As Project Head with software development company Saltmine LLC – now called Divensi – based at its Washington office, Munish Dhiman was putting in 12-hour workdays. For one particular project for a pharma firm, Dhiman's team had to complete work that would normally have taken five months in a single month. While on the project, Dhiman managed with just four hours of sleep a day. "It was a great company, but I wanted something different. Hence the decision to shift to temporary work," he says.

Today, Dhiman, 28, is a freelancer doing temporary projects with software giant Microsoft, Amazing Internships, an internships facilitator, and Multiverse, a global services company. He earns four times as much as he was doing at his permanent job, and also feels he is getting the recognition he deserves.

Traditionally, professionals have viewed freelancing or working part-time with apprehension. Many see it as opting out of the corporate rat race. They also fear the absence of job security. Temps are the first to be axed when a company faces tough times. A recent global survey by international HR service provider Ma Foi Randstad found 46 per cent of respondents saying working part-time was not a sound career move.

Yet there are a growing number of professionals like Dhiman, who, for different reasons, have preferred this option. E. Balaji, Managing Director and CEO of Ma Foi, believes temporary work is gaining momentum in India. Indeed, the Ma Foi survey estimates that around 27 per cent of the Indian workforce is employed on a temporary basis, against the global average of 15 per cent.

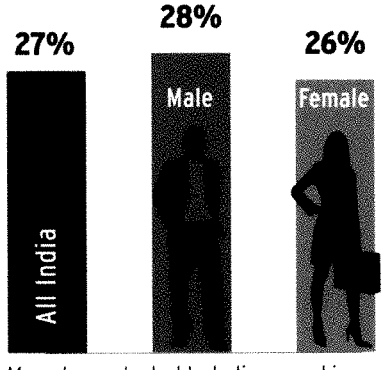
Some experts even maintain part-time work helps people recharge their batteries. "With permanent jobs, sometimes, envy and boredom creep in. Part-time work helps improve the quality of one's thinking," says Ronesh Puri, Managing Director of headhunting firm Executive Access. "It can be an asset in the long term as it provides variety."

Unlike Dhiman, many taking up temporary jobs also see their monthly incomes fall. While Puri believes those making the switch should be mentally prepared for it in the short term, Vinay Grover, Founder and CEO of executive search firm Symbiosis Management Consultants, says that good negotiation skills can enable temps to avoid salary cuts.

Sectors such as retail, hospitality, education, market research, IT, insurance and banking are all opening their doors to temporary workers. ◆

The Part-time Dilemma

Gender has only marginal bearing on the decision to take up part-time work



Many have started to believe working as a temp is a viable career option

Damages career opportunities	46%
Definitely possible in a management position	56%

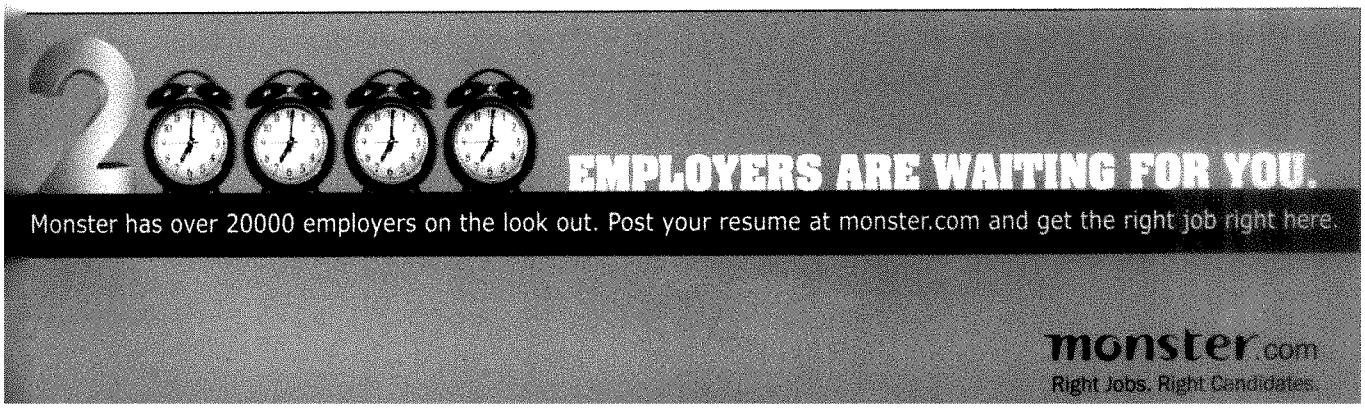
Source: Ma Foi Randstad

TAKE UP A TEMP JOB IF:

—You need more flexibility in job timings

—You have attained a certain level of financial security

—You want excitement in your work life



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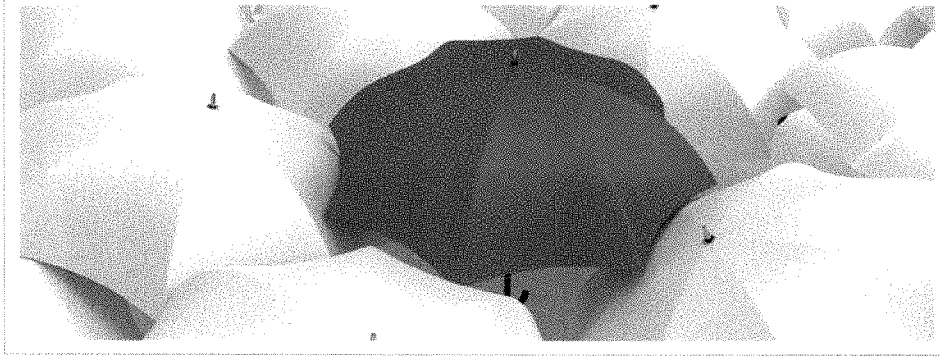

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Net Chanakya People Solutions
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Location: Mumbai
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Live Connections Consulting FZE
Business Development Manager
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COLT Technology Services India Pvt Ltd
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Location: Gurgaon
Job ID: 10221182
Description: To process transactions and invoices, taking responsibility for the achievement of personal productivity and quality targets whilst contributing to team and Company objectives.

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Manager-Costing
Location: Mysore
Job ID: 10432616
Description: Requires interaction with all other plant departments, employees and AAL employees in other locations for all business.

Jobzebra
Assistant Manager Commercial
Location: Bangalore
Job ID: 10275034
Description: Looking for Asst. manager commercial our Client in Bangalore.

Grass Valley Singapore Pte Ltd
Finance Assistant
Location: Delhi
Job ID: 10258579
Description: Looking for an experienced officer who have experience in Accounts and Administration.

Amdocs Development Centre India Private Limited
Subject Matter Expert (Finance)
Location: Pune
Job ID: 10222010
Description: The candidate will be responsible for replying to queries through Clarity and through Finance Helpdesk email id as per agreed timelines etc

Objectwin Technology India Private Limited
Payroll / Compensation Executive
Location: Bangalore
Job ID: 10430980
Description: Must have 3+ Years of experience in Finance & Accounts.

Zensar Technologies Ltd
Sr. Financial Analyst
Location: Pune
Job ID: 10363935
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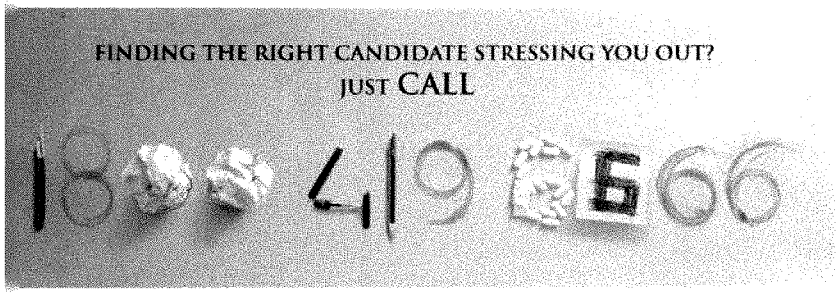

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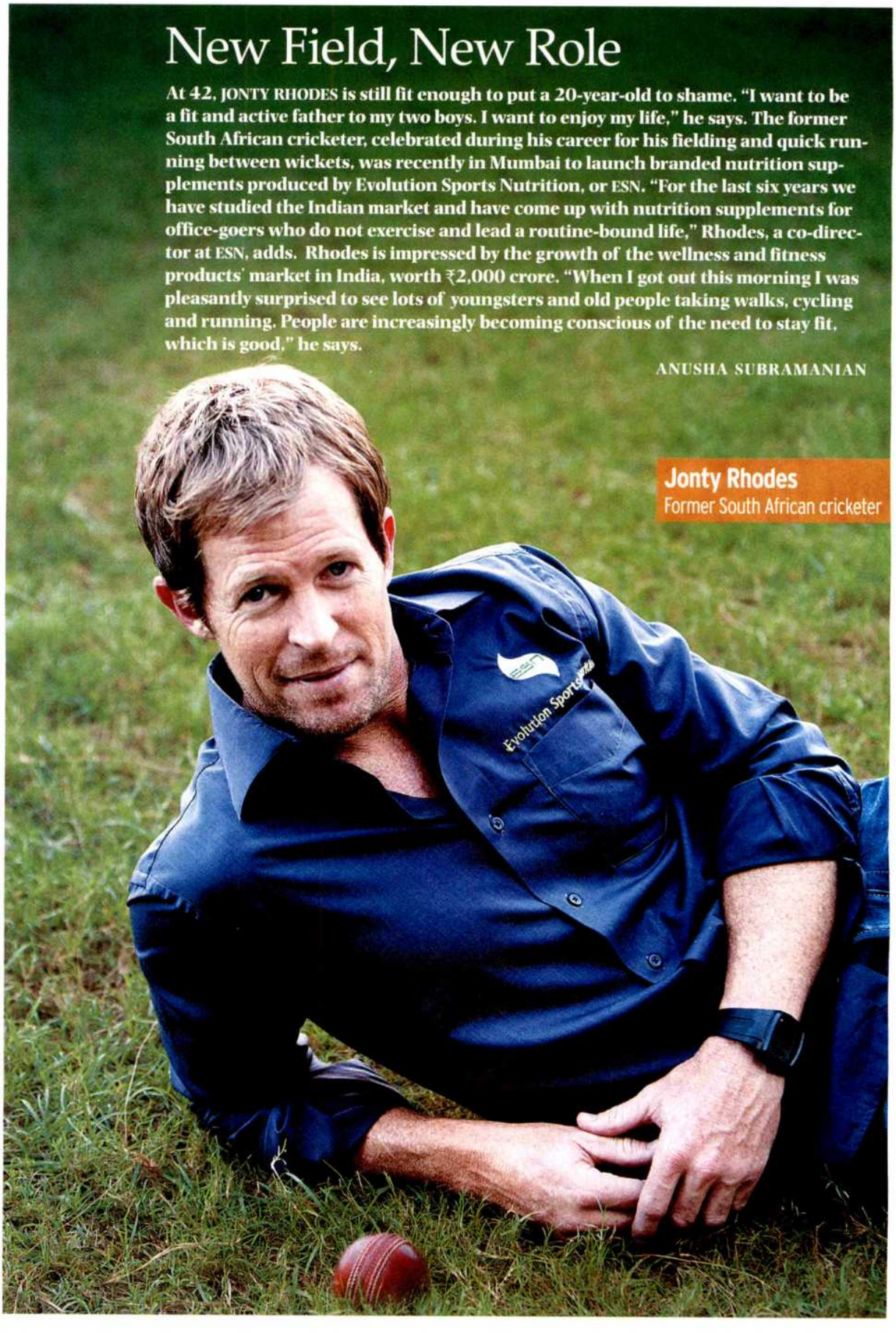
New Field, New Role

At 42, JONTY RHODES is still fit enough to put a 20-year-old to shame. "I want to be a fit and active father to my two boys. I want to enjoy my life," he says. The former South African cricketer, celebrated during his career for his fielding and quick running between wickets, was recently in Mumbai to launch branded nutrition supplements produced by Evolution Sports Nutrition, or ESN. "For the last six years we have studied the Indian market and have come up with nutrition supplements for office-goers who do not exercise and lead a routine-bound life," Rhodes, a co-director at ESN, adds. Rhodes is impressed by the growth of the wellness and fitness products' market in India, worth ₹2,000 crore. "When I got out this morning I was pleasantly surprised to see lots of youngsters and old people taking walks, cycling and running. People are increasingly becoming conscious of the need to stay fit, which is good," he says.

ANUSHA SUBRAMANIAN



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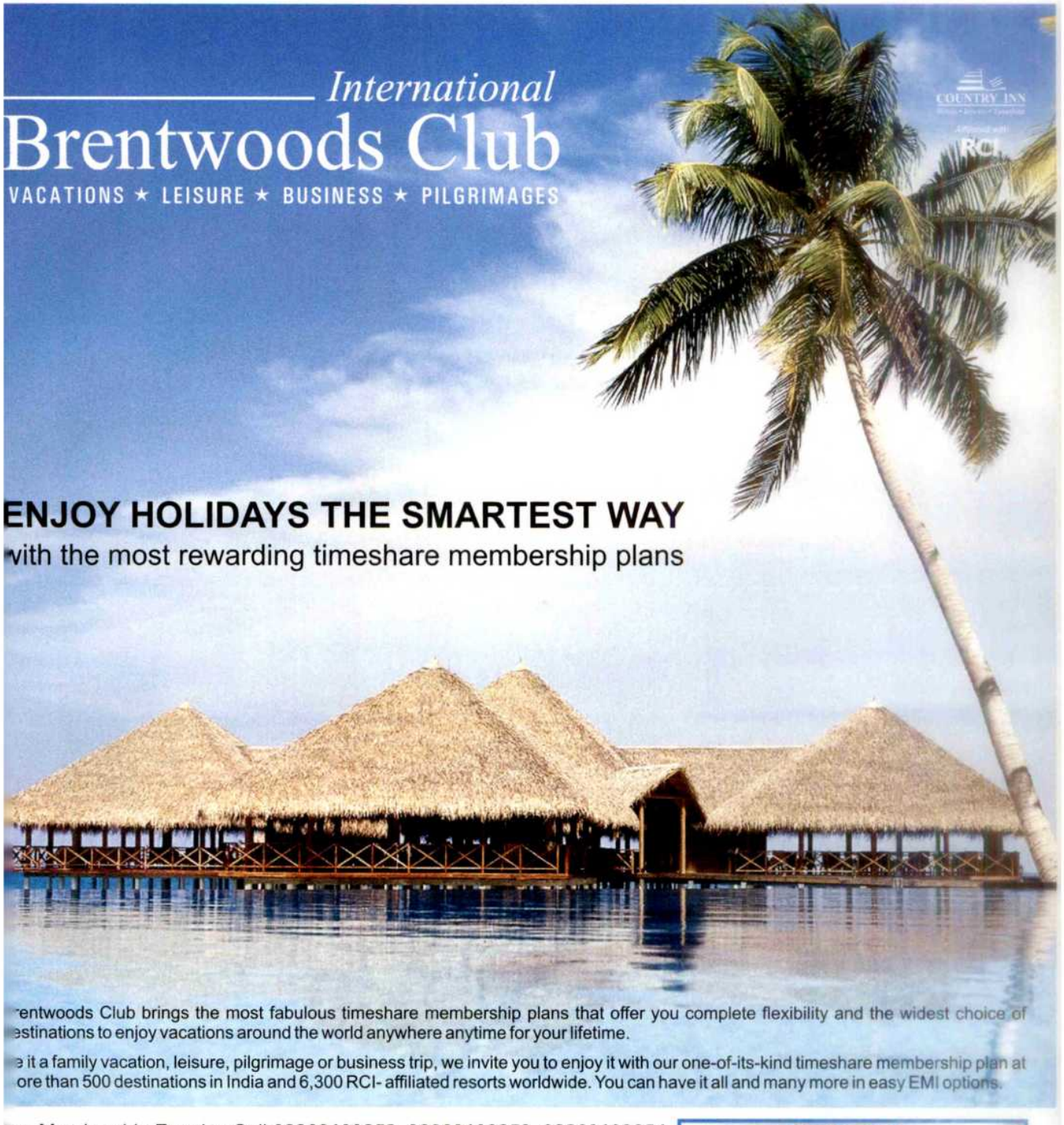

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Ajay Chacko
President, AETN18 Media

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Look Back for Pleasure

AJAY CHACKO, 37, is the man Network18 turns to almost every time it starts something new. In his seven years with the company, Chacko has headed seven new ventures. "If I don't do something new every two years, I get bored," he says. He is currently President of AETN18 Media, the joint venture between A&E Television Networks of the US and Network18, which recently relaunched the History television channel in India. He feels history-telling should be about more than mere dates, and needs to move from "narrative to entertainment television". "History is about the achievements of people," he says. "For many in a young country like India, history is the 1990s." Unlike before, the channel is now targeting a mass audience, which Chacko finds nothing wrong with. An outdoor person, Chacko, who owns a farm in Karjat, around 150 km from Pune, says farming is his favourite pastime. He visits his farm every weekend.

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The **SHRM India Roundtable** in association with **Business Today** brings together thought leaders in HR management, research and consultancy to explore processes that need to be examined from a research perspective to effectively reconcile differences and create opportunities for growth.

Areas of discussion:

- How to categorise generations in the Indian workplace, meaningfully
- Identify conflict areas among multiple generations in the workplace
- How multi-generations can collaborate and create value for the organisation
- What are the implications of multi-generational workforce on leadership and HR

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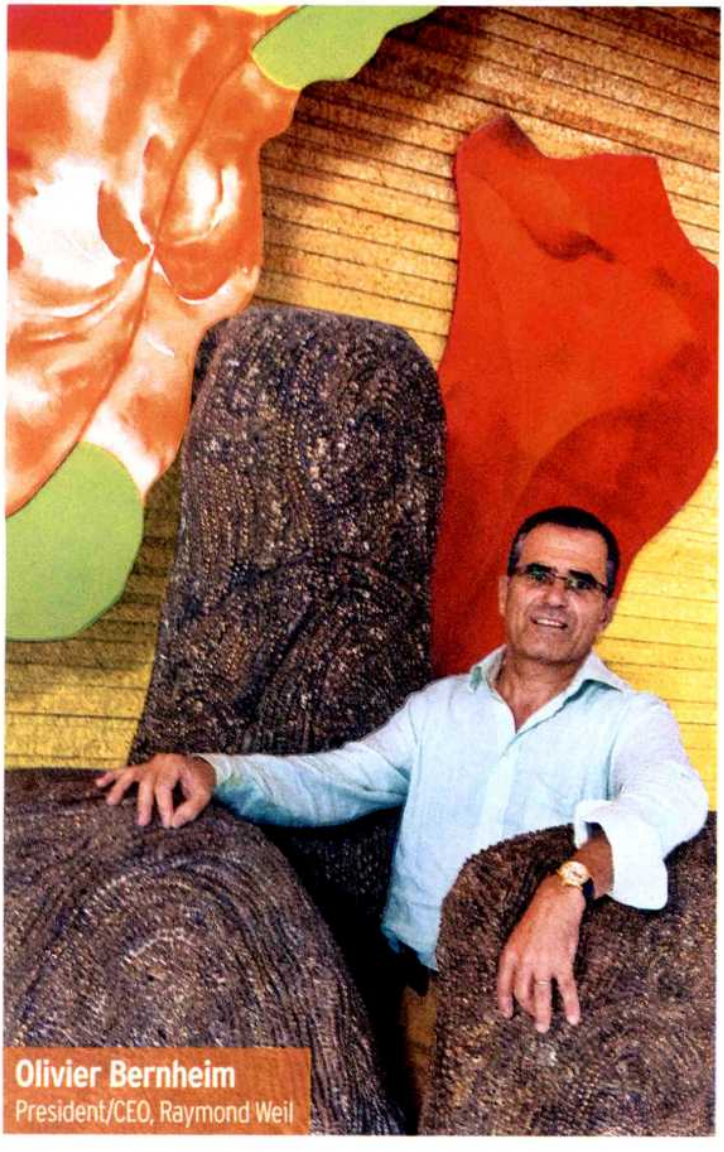
India Watcher

OLIVIER BERNHEIM, President and CEO of the Swiss luxury watch maker Raymond Weil, fell in love with India in 1978 on his first visit. The country, not surprisingly, has been on his itinerary often. He has been visiting India around three times a year since 1993, mostly on business. So fascinated is Bernheim that earlier this year, he launched an all-new watch collection inspired by India. The India market currently accounts for five per cent of Raymond Weil's revenues and has posted double-digit growth in the last five years.

N. MADHAVAN

H K RAJSHEKHAR



Olivier Bernheim
President/CEO, Raymond Weil

World at His Feet

Women save up for months, sometimes years, to buy the shoes his company makes, so it is not surprising that **JOSHUA SCHULMAN**, CEO of Jimmy Choo, knows his quark wedges from his pumps. "Women are passionate about shoes and bags and it is very rewarding to bring out products they dream of all day long," he says. Schulman, who has headed the company for the last five years, is credited with doubling the brand's turnover. "India is important to us because it is not just about our business here but also about Indian customers who shop with us around the world. You will find a lot of Indian names in the list of our top 25 customers at our flagship store in London," he says.

ANUMEHA CHATURVEDI

SHEKHAR GHOSH/www.indiatodayimages.com

Joshua Schulman
CEO, Jimmy Choo

Small Is Lucrative

Personal computers giant Dell is focusing on small business owners. "Businesses want to be on the cloud, but they are all confused about what the cloud is and how it can impact them. This is where we come in," says **STEVE FELICE**, Vice President, Consumer and Small Business, Dell. He believes India will play an important role in Dell's growth. "We want to get more computers into the hands of small businessmen and traders who are a major part of the Indian economy. The best way is to make both hardware and software cheaper and easier to understand," he adds. Some Indian traders are computerising, but it might be a while before your local *kirana* shop does so. ◆

KUSHAN MITRA

Steve Felice
Vice President, Consumer and Small Business, Dell

V.K. VISWANATHAN
Managing Director, Bosch Ltd

My leadership style
- [x] Delegative
- [x] Participative
- [ ] Authoritative
- [ ] All of the above

The political leader I admire the most
Mahatma Gandhi

The business leader I admire the most
Robert Bosch

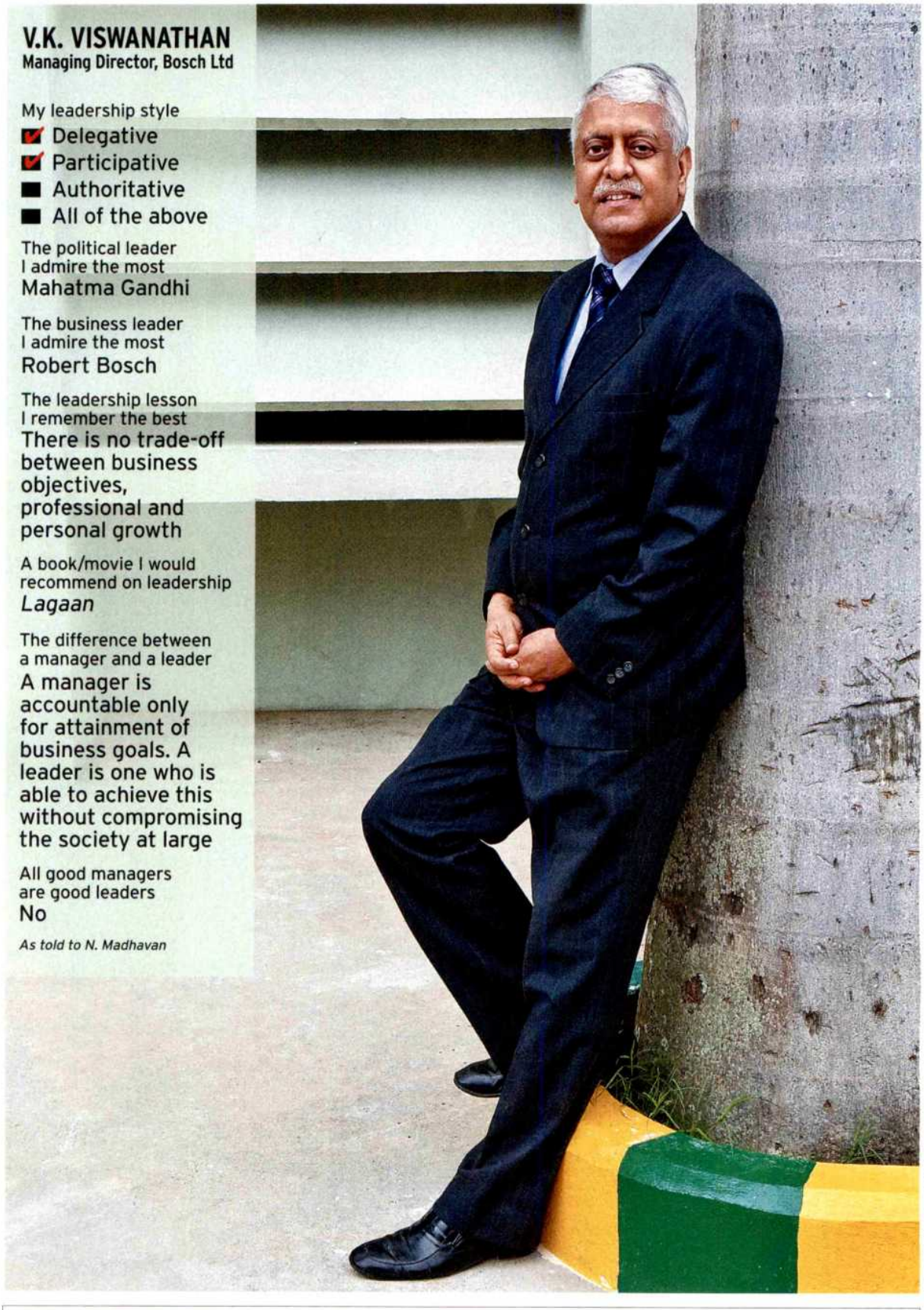
The leadership lesson I remember the best
There is no trade-off between business objectives, professional and personal growth

A book/movie I would recommend on leadership
Lagaan

The difference between a manager and a leader
A manager is accountable only for attainment of business goals. A leader is one who is able to achieve this without compromising the society at large

All good managers are good leaders
No

As told to N. Madhavan



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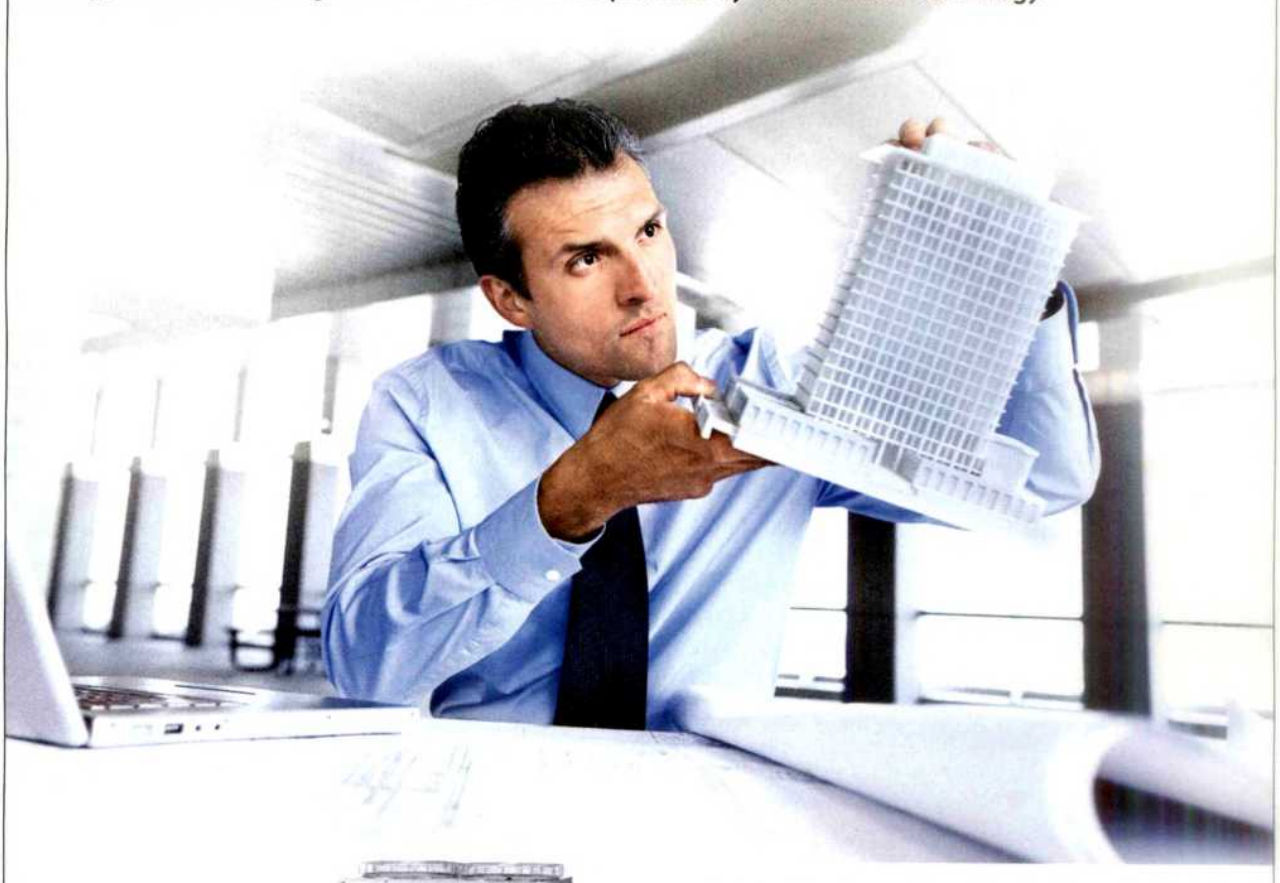

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From the Editor

Pity the modern banker, who is described in one of the stories in this issue as "pin-striped". In India, of course, some of the most powerful bankers sport *bandhinis, ikats* and *kanthas*. But you have to feel sorry for our bankers. We don't have anarchists waving their fists at bank CEOs' pay packages yet (yes, we had an Occupy Dalal Street march on November 4), but somehow in our starch-*khadi*-ed consciousness, to lend money for a living is still considered a sin by many, and you can almost hear the Goddess of Interest Rates imploring those of us who think pushing dirty banknotes under our mattresses is the best way to save money to give her "the huddled, yearning masses... the unbanked, the unborrowed".

These are turbulent times to be a banker. Under the combined weight of economies on life-support and governments that cannot get off the banana peel, Western bankers are starting to buckle. Revenue from India fell 14 per cent at Standard Chartered in the third quarter as corruption and policy paralysis hit business confidence, borrowing and capital formation. Over in London, the head of the Lloyds Banking Group succumbed to exhaustion and abruptly went on medical leave. The image of the greedy blood-sucking banker has taken a beating. At least it is not as bad as the malevolence of President Andrew Jackson. He fought for re-election in 1832 mainly on a vow to shut down the Bank of the United States, which he called the "hydra of corruption" (he didn't succeed).

But these are also exciting and challenging times for banks in India. Tectonic reforms are underway, and they will drive financial inclusion deeper into the 50 per cent of the population that is now "unbanked", and level the playing field. The latest, in October, was the deregulation of savings-account interest rates. "I think there is complete migration from what was status quo, defined as lazy banking, into banking with agility," YES Bank Founder and CEO Rana Kapoor told me. "Banking is a business of innovation today... it means that we have to manage more dynamic macroeconomic forces, and be good businessmen-bankers."

Now there's a thought. Kapoor, whose young bank is pushing aggressively into new markets (you'll get an idea from the Infographics section starting page 108) says bank CEOs will have to pay close attention to costs to remain profitable. Despite the challenges, he feels banks in India enjoy good margins (read Kapoor's remarks in full at *www.businesstoday.in/ranakapoor*). Global accounting firm KPMG, which conducted our annual Best Banks survey for the 15th time, lays out the reform landscape in a summary starting page 90. Our 18th Banks survey sets the gold standard (our cover image is not accidental) and we bring you a vault stocked by Special Projects Editor Alokesh Bhattacharyya and Senior Editor Anand Adhikari with rich detail and analysis from their team of reporters. Don't miss Anand's sobering report on non-performing assets, or NPAs – which have ballooned to about ₹1 trillion – or his exhilarating look at "hinterland banking". Assistant Editor Rajiv Bhuva profiles Bank of Baroda, which takes the laurels this year for top spot among large banks. Our tables (page 98) are replete with data that should grace every bank manager's personal safe.

This issue commends itself for many splendid reasons. Modesty lets me only give you a hint: of our Royal Enfield case study (page 120), the Ajay Piramal story (page 36), the *BT* take on the October 30 F1 super-spectacle (page 136)... truly a smorgasbord that will take your breath away.

Chaitanya Kalbag

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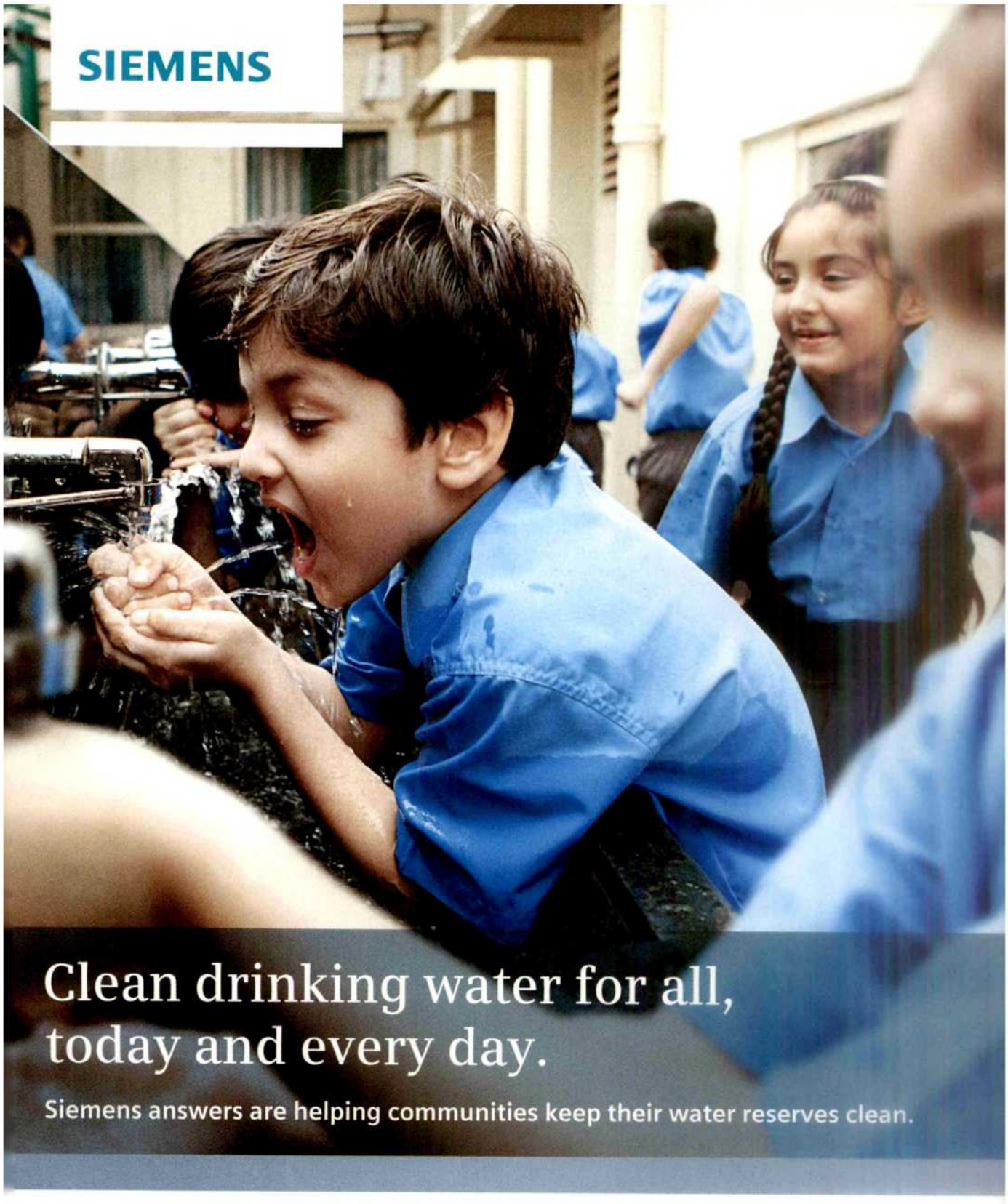

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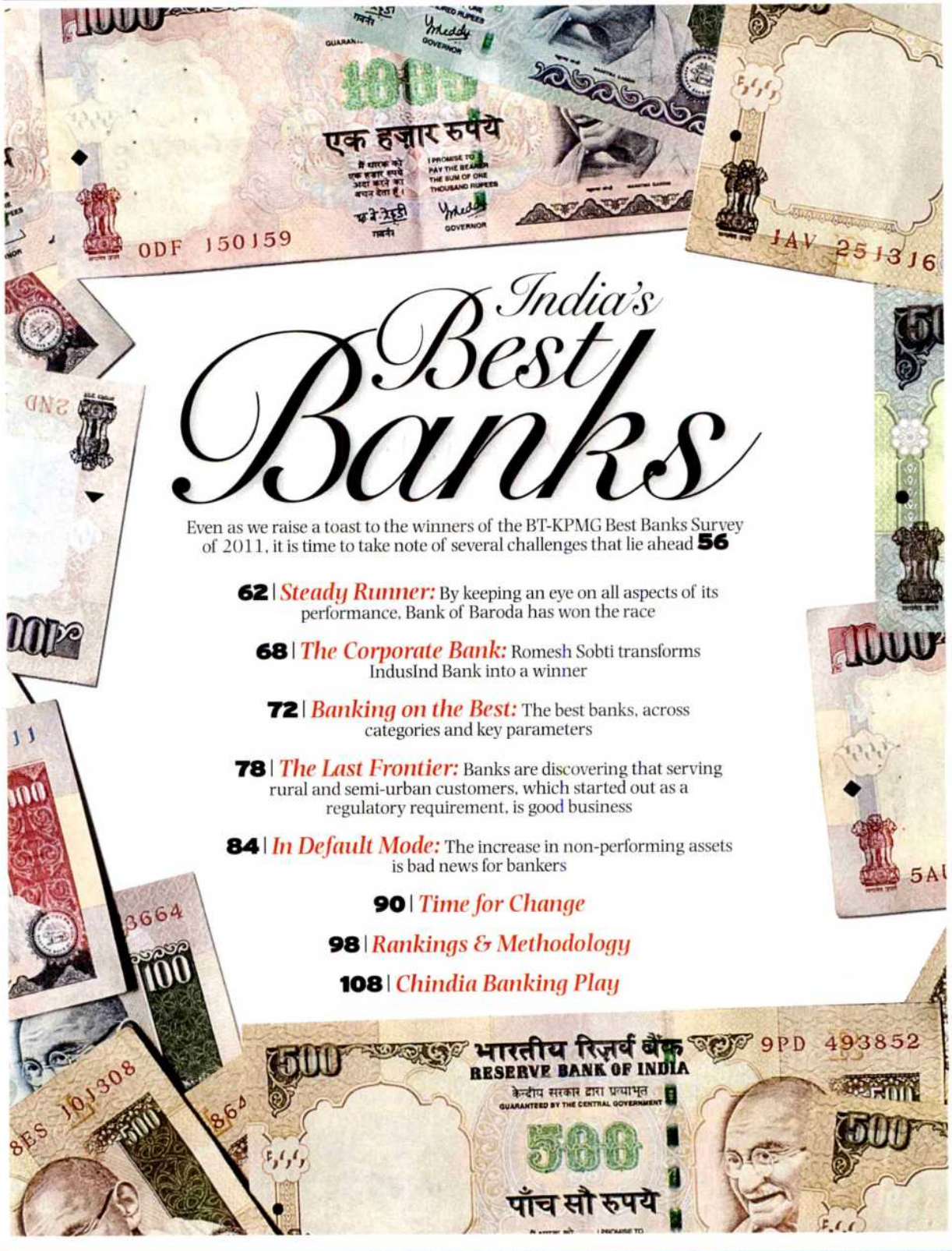

India's Best Banks

Even as we raise a toast to the winners of the BT-KPMG Best Banks Survey of 2011, it is time to take note of several challenges that lie ahead **56**

62 | *Steady Runner:* By keeping an eye on all aspects of its performance, Bank of Baroda has won the race

68 | *The Corporate Bank:* Romesh Sobti transforms IndusInd Bank into a winner

72 | *Banking on the Best:* The best banks, across categories and key parameters

78 | *The Last Frontier:* Banks are discovering that serving rural and semi-urban customers, which started out as a regulatory requirement, is good business

84 | *In Default Mode:* The increase in non-performing assets is bad news for bankers

90 | *Time for Change*

98 | *Rankings & Methodology*

108 | *Chindia Banking Play*

COVER BY KAPIL

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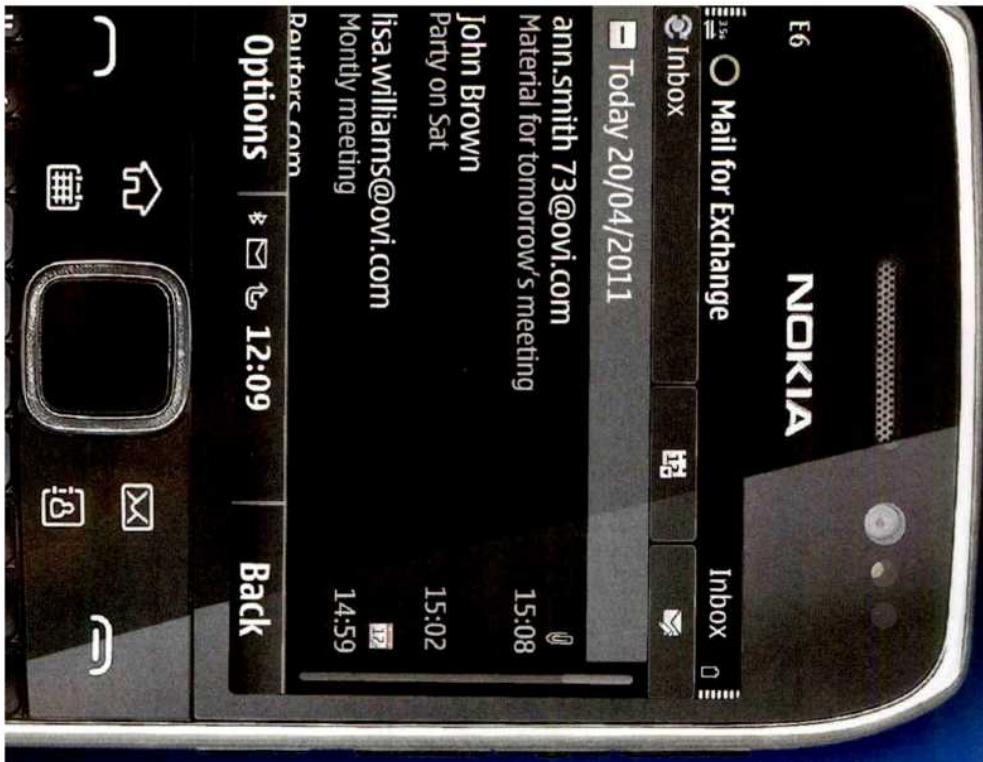

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CONTENTS NOVEMBER /27/2011

Volume 20/Number 24

UPFRONT

12 | Quick takes on major events of the last fortnight

FOCUS

15 | Buffer Against Inflation

17 | Interview with RBI Governor Subbarao

20 | Health Care

22 | Insider Trading Scam

30 | Graphiti: Safe in the Safe

33 | Etcetera

34 | Column:
Raju Ramachandran, Supreme Court lawyer, on bail in corruption cases

36 | The $2-bn Question
What will Ajay Piramal do with the pile of cash he earned from the sale to Abbott? He has set up three strategy groups to scout for opportunities

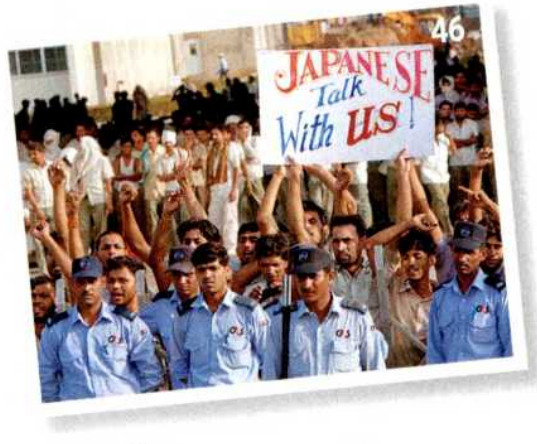
FEATURES

46 | Unlucky Strikes
The strike at Maruti fizzles out a third time as labour leaders take their money and flee

50 | Exit Left
After a year of looking over her shoulder, Niira Radia looks beyond Vaishnavi

116 | Click, Book, Watch
E-ticketing websites gain traction, pull out all the stops to lure customers

120 | Biting the Bullet
Eicher Motors takes the risky step of transforming its iconic Royal Enfield motorcycle, and comes up trumps



MONEY

128 | Withstanding the Test of Time
How to build a mutual fund portfolio that can weather all market storms

LBNL

136 | Racy Drama
The F1 Grand Prix was all glitz and glamour and 24 racing cars

142 | If Looks Were All...
Mahindra's new utility vehicle, the XUV500, is great to look at

P-TECH
144 | TV Tomorrow

EXECUTIVE HEALTH
145 | Surviving Business Lunches

BOOKEND
146 | Flawed and Mercurial Genius
Isaacson's book comes closest to understanding the late Steve Jobs

CAREERS
149 | Not for the Slow-footed

154 | PEOPLEBUSINESS

LEADERSPEAK
160 | Amitabh Chaudhry
MD and CEO, HDFC Life

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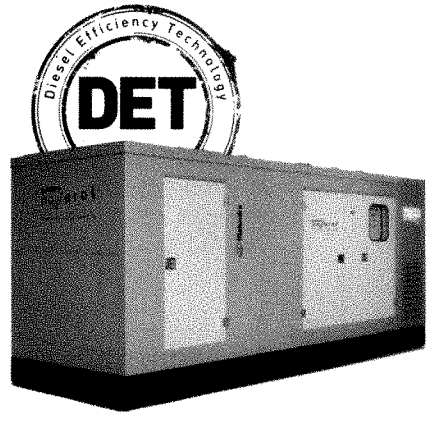

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The Best of the Lot

Your annual listing of India's Most Valuable Companies (*BT500*, November 13) was comprehensive and very well put together. I am glad that instead of ranking PSUs and private companies separately, you decided to offer just one listing. The Mukesh Ambani-led Reliance Industries's juggernaut continues to roll, with the giant retaining its numero uno spot, a remarkable feat, indeed. The fact that the real estate sector witnessed the maximum damage in terms of both rankings and market capitalisation was hardly surprising. All in all, the package made for an interesting read.

Rajesh Kapur, *Chandigarh*

Leading by Example

The New Poster Boy of Start-ups (November 13) was an absorbing account of one man's entrepreneurial feat. Kudos to InMobi's Naveen Tewari, and co-founders Amit K. Gupta, Abhay Singhal and Mohit Saxena, for taking on global giants such as Google and Yahoo! on the mobile advertising platform. No wonder SoftBank, the Japanese media and telecom company, decided to invest $200 million in InMobi, which is the largest single investment in any Indian digital company to date.

B. Rajasekaran, *Bangalore*

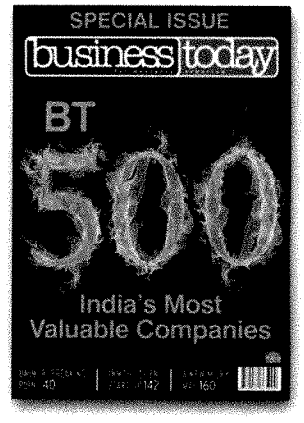
In Jobs's Honour

The best tribute that we can pay Steve Jobs is to live our lives the way he lived his – with hunger, courage and tenacity (*Steve, the Man We Wanted to Be*, October 30). Your headline is very apt. What more can one say about a man about whom so much has already been written. His vision, creative genius, fearlessness, and unparalleled ability to combine design and business model innovation were second to none. The way he fought his long battle with pancreatic cancer and his final few days were pretty inspiring to say the least.

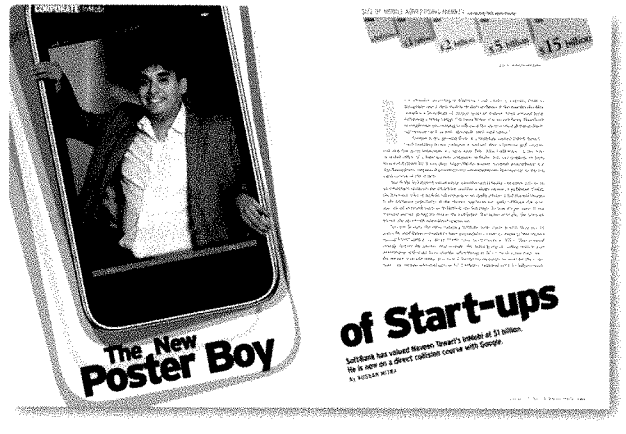
Jacob Sahayam, *Thiruvananthapuram*

Corrections

- Power Grid Corporation was inadvertently excluded from the power sector rankings in BT500 (November 13). It should be ranked No. 2 in the sector.
- In the People item *Red Hot Steel Man* (October 16, page 134), a company name was misspelt. It should have read 'Magppie International'. We regret the errors.



The Reliance juggernaut continues to roll, with the giant retaining its No. 1 spot. The fact that the real estate sector witnessed the maximum damage in terms of both rankings and market cap was hardly surprising



www.businesstoday.in/coverstory: ***BT500*** **(November 13) is an annual listing of India's 500 Most Valuable Companies**

www.businesstoday.in/coverstory: ***The Rainmaker*** **(Oct 30) looks at Francisco D'Souza, under whom Cognizant has turned the outsourcing model on its head**

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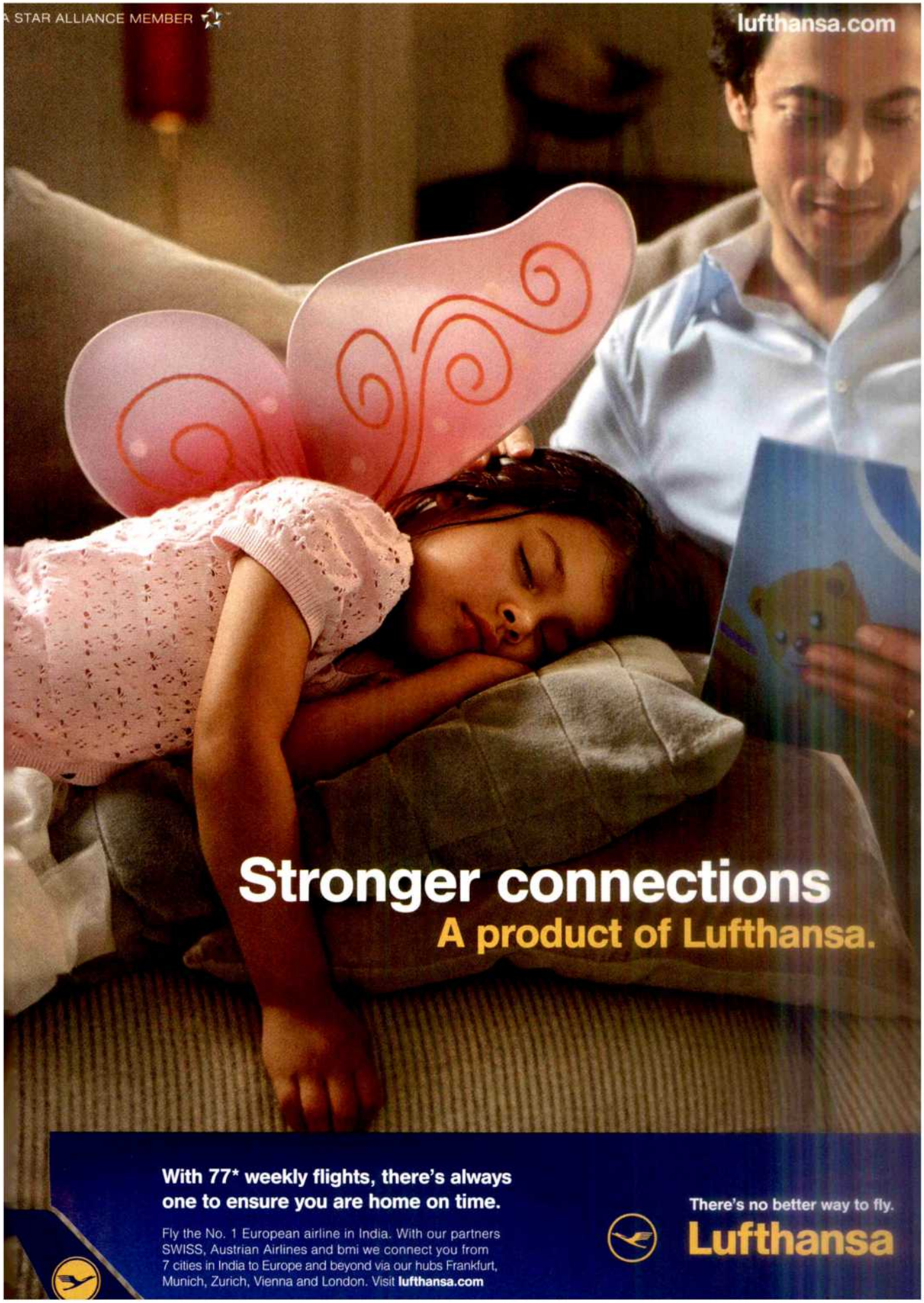
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BIG STORY

India's Most Valuable Companies

Business Today's annual listing of the 500 best Indian companies, ranked by market capitalisation. This time, private and public sector companies have been listed and evaluated together. Reliance Industries bags the No. 1 spot, followed by Coal India.

businesstoday.in/bt500

PODCASTS

BT Editor **Chaitanya Kalbag** on how a company makes it to the BT500 rankings, and the rigour that went into preparing the list.
businesstoday.in/editors-take

Rajiv Bhuva on deciphering the fine print of the BT500 list.
businesstoday.in/bt500-method

Anand Adhikari on his no-holds-barred interview with RBI Governor Duvvuri Subbarao (Pg 17)
businesstoday.in/rbi-subbarao

CASE STUDY

Biting the Bullet

Senior managers at Eicher Motors faced a tough choice. They had been given one final chance to revive the loss-making Royal Enfield – their motorcycle division. For that they wanted to modernise the bikes to appeal to a wider customer base. But existing customers wanted their Bullets just the way they had always been.

businesstoday.in/re-bullet

PERSPECTIVE HIGHLIGHT

Anusha Subramanian
Omnicon buys out Mudra

What prompted the US-based Omnicon Group to buy a majority stake in the Anil Ambani-owned advertising agency Mudra?

businesstoday.in/omnicon-mudra

BLOGS

Word Mentality
Uma Asher

The difference in the usage of 'would' and 'will' and why Indians prefer the former.
businesstoday.in/uma

Occasionally Productive
Kushan Mitra

Impressions from a 2005 meeting with Rajat Gupta, now in the eye of the US's insider trading scam: he was extremely erudite but also quite vain.
businesstoday.in/kushan

Surround Sound
E. Kumar Sharma

As a white paper by economist Bibek Debroy points out, India continues to underperform in the health-care sector.
businesstoday.in/kumar

Start-up Today
Taslima Khan

E-commerce has made a great leap in recent years, with successful firms diversifying their product lines.
businesstoday.in/startuptoday

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- **Cross-Border Strategic Alliances as a New Order of Business**
- **Interactive Session with Shri Pranab Mukherjee, Honorable Finance Minister, India (invited)**

Day Two, November 16

- **Financial Inclusion – A Policy and Business Priority**
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Just Not Cricket!

AFP

Caught at Silly Point: Former Pakistan captain Salman Butt and pacers Mohammad Asif and Mohammad Aamer became the first cricketers to be sent to prison for corruption, when a London court found them guilty of spot-fixing. Mazhar Majeed, a bookie, got 32 months in jail. Millions of dollars are wagered on cricket every year, mostly illegally.

Corporate

The **Supreme Court** has granted bail to former **Satyam Computer** founder-chairman **B. Ramalinga Raju**, his brother B.Rama Raju, and former chief financial officer V Srinivas. In India's biggest accounting fraud, Raju admitted in January 2009 that he had falsified Satyam's books to the tune of some ₹7,000 crore over several years. The court granted him bail after the Central Bureau of Investigation failed to file charges on time.

The **2G** scam trial took another curious turn when Judge O.P. Saini dismissed DMK Member of Parliament **Kanimozhi's** bail application along with that of seven others. The order was panned by some lawyers, given that a chargesheet has already been filed and the next hearing is set for November 11. (See *Punishment before Conviction* on Page 34.)

Indian banks are in fine fettle (see our cover package starting on page 56). India's largest private sector bank, ICICI Bank, improved its asset quality and saw higher demand for loans from companies as also home and car buyers. ICICI Bank's net profit for July-September was up 21.59 per cent year-on-year at ₹1,503 crore.

It's a hat-trick for Hindustan Unilever this earnings season. The FMCG major has recorded double-digit growth for the third straight quarter, reporting a 22 per cent rise in net profit at ₹689 crore in the second quarter.

At Bharti Airtel, the mood was downcast. It reported a 38 per cent decline in net profit to ₹1,027 crore, missing analyst estimates for the fifth straight quarter. New licence costs and interest charges dampened earnings.

Wipro Chairman Azim Premji sees no gloom and doom in the IT sector. Though lagging behind sector leaders **TCS**, **Infosys** and **Cognizant**, Wipro's IT services revenues stood at ₹6,829 crore in the quarter ended September, a seven per cent increase on a sequential basis. Premji made bigger headlines when he hit out at the government for its stasis in decision making. Separately, as if to prove his own commitment, the Azim Premji Foundation has announced it will start 1,300 schools – two per district – imparting free education in the local language.

CARICATURES BY SANTOSH

The G20 meet in Cannes took a dramatic turn when developed nations sought succour from emerging economies such as China and India to tide over the debt crisis. The developing bloc favours an International Monetary Fund-sponsored Eurozone package. Italy has agreed to let the IMF monitor the long-delayed reforms of its pensions and labour markets and privatisation programme.

The founder of WikiLeaks and whistleblower, Julian Assange, has lost his appeal against extradition to Sweden on allegations of sexual assault. Ever since the release of over 250,000 US embassy cables, WikiLeaks has been fighting a financial blockade by Visa, Bank of America and MasterCard, estimated to have cost €50 million.

In the race for dominance in the global smartphone market, Samsung has overtaken Apple. In July-September, its shipments grew 44 per cent from the preceding quarter to 27.8 million units, rising four times from a year ago. Apple's iPhone sales shrank 16 per cent to 17.1 million units in the third quarter. Samsung had 23.8 per cent of the smartphone market in the quarter, 9 percentage points higher than Apple.

It is not just in India that airlines are facing rough weather from labour unions. Australia's Qantas Airways, the world's 10th largest airline, had to ground its entire fleet because of a labour dispute. It returned to the skies only after a court intervention. The grounding affected 108 planes in 22 countries. Not quite a G'day, mate.

Economy

India's manufacturing output in October rose for the first time in six months. The festive season seems to have brought some cheer to the economy. The Purchasing Managers' Index rose to 52 from 50.4 in September, according to HSBC Holdings Plc and Markit Economics. An index reading of more than 50 indicates expansion. Core industries, however, performed below par in September. Eight crucial sectors, including coal, gas, fertiliser, among others, having a weight of almost 38 per cent in the index of industrial production grew just 2.3 per cent in September year-on-year — the lowest in two-and-a-half years.

Oil marketing companies delivered another blow and hiked petrol prices by **₹1.80 a litre** on November 3. This is the third hike in less than six months. Food inflation touched 12.21 per cent.

Ahead of assembly polls in five states next year, **it is time for affirmative action.** A new policy, cleared by the Cabinet, targets 20 per cent of government purchases from micro and small units, which employ an estimated 60 million. Public sector units are expected to buy goods worth ₹35,000 crore from small units, of which ₹7,000 crore is to flow to scheduled caste/scheduled tribe entrepreneurs.

Pakistan has granted **Most Favoured Nation,** or MFN, status to **India**. This means trade treatment on par with other partners. The two-way trade is expected to jump from $2.6 billion per annum to $8 billion in five years. India granted MFN status to Pakistan in 1996.

500,000

Estimated small and medium businesses, or SMBs, to benefit from free Google India Web site, domain name, Web-hosting facilities in three years. India has 40 million SMBs but only 400,000 have a presence on the web. Only 100,000 have a decent website, according to Rajan Anandan, MD and Vice President, Google India.

160%

Jump in India's trade deficit with China to $23.9 billion, over five years to 2010/11. Chinese imports to India touched a high of $43.5 billion in 2010/11, up from $17.5 billion in 2006/07. Indian exports to China totalled $19.6 billion in 2010/11, rising from $8.3 billion five years ago. India hopes bilateral trade will hit $100 billion by 2015.

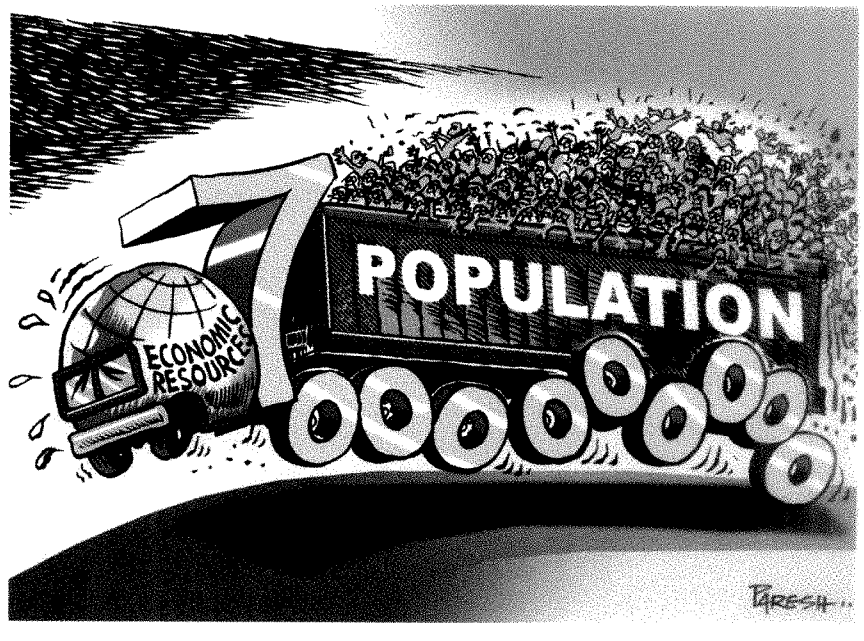
Markets

The **European debt crisis** has claimed the first US financial company. **MF Global** filed for bankruptcy protection after Moody's Investor Service cut its credit rankings. MF Global employed 2,870 people globally. However, MF Global's bankruptcy protection filing in the US may not have a major impact on the firm's Indian operations. It is spread across equity, debt and commodity broking in the institutional and retail space in India. It is also a member of both the premier bourses in the country – BSE and NSE.

State Bank of India Chairman Pratip Chaudhuri says big banks such as his will not hike interest rates of savings bank accounts even after the deregulation of rates by the Reserve Bank of India. SBI is separately planning to hike tenure of home loans up to 30 years as the average life of a new house is seen as 30 years.

Coming Up

India is taking another step towards better civil aviation safety and regulation with the setting up of a Civil Aviation Authority. This will handle regulation of air traffic services and licensing. Indian airports have a capacity to handle 225 million passengers now, and the number may rise to 500 million in 10 years. The authority will have powers to impose punitive measures and ensure ethical trade practices. It may also act as an ombudsman to deal with complaints against airlines.



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business today

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Multigenerational Diversity at the **Workplace**

A collaborative research project between
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The workforce of today's enterprises is a banding of multi-generations. Every generation brings varied experiences, values and insights that contribute to the organisation. However, differences in communication, learning capacity, analytics and social interaction lead to discord. So, how do organisations overcome inter-generational conflicts? How do leaders manage such diversity and leverage it for growth?

The **SHRM India Roundtable** in association with **Business Today** brings together thought leaders in HR management, research and consultancy to explore processes that need to be examined from a research perspective to effectively reconcile differences and create opportunities for growth.

Areas of discussion:

- How to categorise generations in the Indian workplace, meaningfully
- Identify conflict areas among multiple generations in the workplace
- How multi-generations can collaborate and create value for the organisation
- What are the implications of multi-generational workforce on leadership and HR

For more information, contact **Debakinandan Nayak**: +91-9818777229 • debakinandan.nayak@intoday.com

Entry by invitation only.

FOCUS

20 Booster Shot
24 Heels at the Wheel
32 Mango Delight
33 Mixing Matters

Buffer Against Inflation

Freeing interest rates on savings deposits may give better returns and provide more options. By SANJIV SHANKARAN

Reserve Bank of India Governor Duvvuri Subbarao is not easily persuaded. Both his admirers and his critics have learnt this through the 13 interest rate hikes he has effected over the past 18 months. More proof came on October 25, when Subbarao announced savings rate deregulation, ignoring bankers' pleas to defer the step until the current volatility in the economic environment subsided. Of course, he had his reasons for doing so.

Savings rates were the last administered interest rates. After March 1, 2003, the savings rate had been changed only once – it was raised from 3.5 per cent to four per cent in May 2011. This effectively meant that except for a six-month period, inflation had consistently outpaced returns to savers over the past seven years. Households, which, according to RBI, account for 84 per cent of savings deposits, lost the most in an era of high inflation.

For the central bank, calibrating monetary policy through interest rate changes when savings deposits made up about 22 per

11.7% drop in long-term deposits, has triggered fears of banks running into liquidity problems

cent of banks' deposit base, was tantamount to driving with the handbrake pulled up.

Fear of reckless rate increases by banks due to competitive pressures made RBI cautious in dismantling controls. "There may not be such intense competition for deposits now. We thought this might be a good time to do it," Subbarao told the media after freeing savings rates. Moreover, when fixed deposit rates of banks were freed in 1997, there had been no resultant shocks.

Savings deposits have no lock-in and are thus, theoretically, the most fickle deposits. But RBI data between 2001 and 2009 shows that savings deposits as a proportion of banks' advances remained steady around 21.5 per cent. However, the proportion of long-term deposits – those of over three years' duration – has dropped to 20 per cent from 31.7 per cent, triggering anxiety about banks running into liquidity problems. The regulator, however, decided it was time to bite the bullet.

While giving banks the freedom to set interest rates on savings deposits, RBI has mandated that all savings deposits up to ₹1 lakh will have to be offered the same interest regardless of the balance. If the balance exceeds ₹1 lakh, banks can offer differential rates provided they do not discriminate between customers holding the same balance.

Two banks, YES Bank and Kotak Mahindra Bank, have already increased the savings deposit rate by two percentage points to six per cent. Savers, however, need to prepare for a two-way movement. "It is a good step, but in the medium run, rates could swing either way as we are at a peak of the rate cycle," says Munish Dayal, Partner at Barings Private Equity. Rating agency CRISIL estimates that competition among banks will push up the average savings rate by 50 to 100 basis points. This should translate into an additional ₹9,000 crore for people with savings bank accounts.

"The quantum of benefit is not going to be very material for savers"

Munish Dayal, Partner, Barings Private Equity

Eventually, the net gains for households may be limited. RBI says about 64 per cent of savings deposits are held in urban centres and the balance in semi-urban and rural areas. Urban savers are influenced by conveniences such as free cheque books and online payment facilities for utility bills and not just by interest rates. Along with higher interest rates, banks might begin to levy charges on some conveniences. "The quantum of benefit is not going to be very material for savers," says Dayal.

For banks, an increase in interest rates will eat into their profits. The impact on public sector banks will be severe as they control about 87 per cent of savings deposits in India. SMC Global Securities estimates that a one percentage point increase in the average savings deposit rate will mean banks having to pay out an extra ₹14,469 crore as interest. Based on 2010/11 balance sheets, an additional percentage point increase in average interest rates will dent banks' profit before tax of ₹1.12 trillion by 12.85 per cent.

As a positive, the move to free savings rates is expected to trigger product innovation among banks. RBI, on its part, hopes that depositors will benefit not just from higher interest rates, but also through more choices. "Deregulation will allow banks to introduce product innovations, which could also benefit the depositors," an RBI discussion paper on the subject released in April 2011 concludes. Dayal echoes RBI's conclusion, saying: "There will be more innovation and more value add on balances."

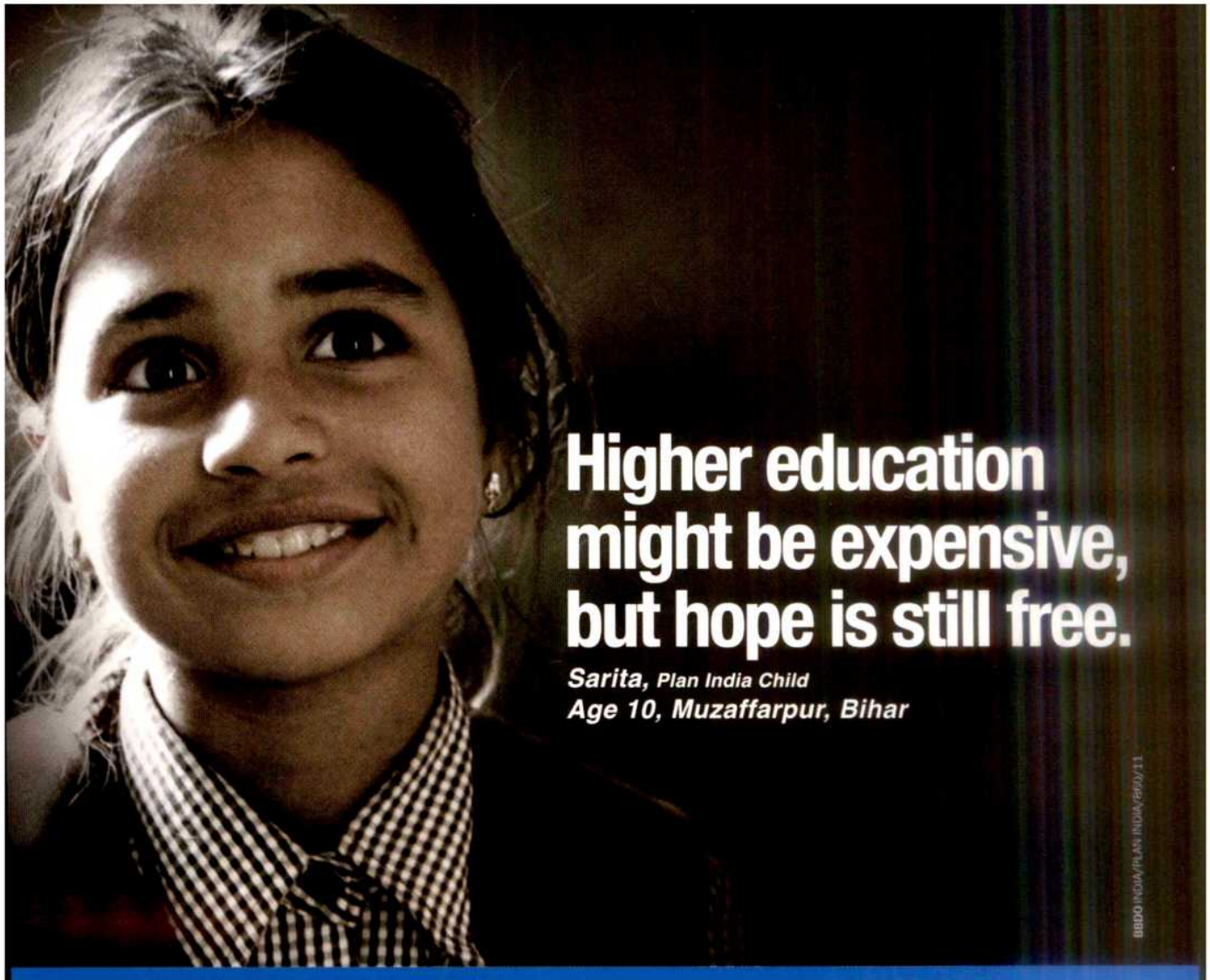
WORDSMITH
(NEW WORDS IN BUSINESS)

Betamaxed

Meaning: When a superior product or service is overtaken by an inferior but well-marketed competitor.

ORIGIN: The Internet and the changing dynamics of the advertising industry made this term common in the latter half of the 1990s.

Usage: "Our No. 1 product has got betamaxed with the launch of the competitor's latest advertising campaign."

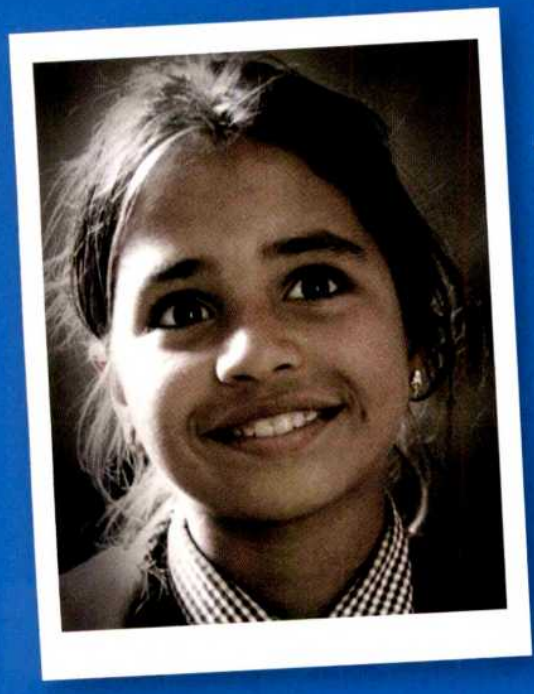


Plan India is an Indian NGO working to improve the lives of underprivileged children like Sarita, their families and communities through an approach which puts children at the centre of community development. Since 1979, we have been working with our partners to help children access their rights to proper healthcare, basic education, healthy environment, protection from abuse & exploitation and participation in decisions that affect their lives. We encourage children to express their views and be actively involved in improving their communities. Plan India currently works in 11 states in India, across 5000 communities and has touched the lives of over 10 lac children. To make a difference in the lives of children like Sarita, do visit **www.planindia.org.** Follow us on

Names of children have been changed as per Plan India's Child Protection Policy.

Plan

There's a plan for every child.



"Now I am waiting for the next camp and working really hard for it."

Sarita

Sarita used to live with her grandmother in Muzaffarpur, Bihar. Because of a very serious family dispute, her father committed suicide. Sarita was only two years then. Her mother remarried her uncle who was very hostile towards Sarita because he thought that she was an extra burden to the family.

It was at this time, when her ageing grandmother, encouraged Sarita to visit an education camp organised by Plan India. Getting a new lease of life, Sarita studied very hard, because she had to make her grandmother's dream come true. She wrote poetry and came up with a brilliant piece called 'Main Ladki Hoon' (I'm a girl). Plan India has helped Sarita get an education.

She is currently studying to become a teacher who would inspire many more girls.

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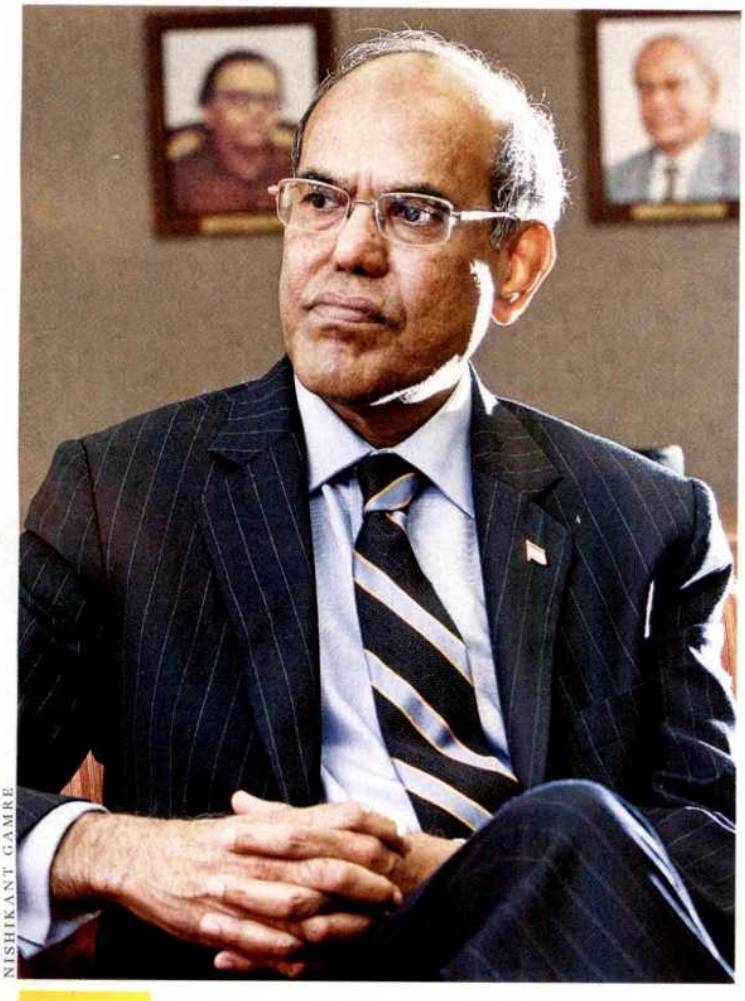
Plan

There's a plan for every child.

"No cause for concern about a rapid fall in banks' asset quality"

A day before Diwali, **Duvvuri Subbarao,** *Reserve Bank of India Governor, signalled a ceasefire in the battle against inflation. After announcing a 25 basis point hike in the repo rate – the rate at which it lends to banks – the 13th in the past 18 months, he said while he expected inflation to moderate, the guidance should encourage investment decisions. In a late evening interview in his office, the 62-year-old Governor spoke to BT's* **Anand Adhikari** *and* **Rajiv Bhuva** *on issues facing the banking industry. Edited excerpts:*



NISHIKANT GAMRE

On the impact of rate hikes on banks' asset portfolios

If you take the aggregate indicator, which is the gross non-performing assets, or NPAs, the estimate is fairly stable between June 2010 and June 2011. But that is only an aggregate indicator. I do recognise that at a time when growth is moderating and interest rates are also going up, the asset quality will come under pressure. It is quite possible that our banks will come under pressure. As much as that is something that we monitor and watch, I would think that there is no cause for concern about a rapid deterioration or very bad quality of assets.

On the growing concentration of risk in banks' portfolios

There are guidelines and provisions in the regulations to manage exposure limits both for infrastructure and geographical concentration. So banks, I'm sure, take care of that and should there be overstepping of prudence, our supervisors will take care of that.

On the accuracy of banks' evaluation by rating agencies

When such assessments come out and they are on the fly, there is a tendency to sensationalise them and not give the complete details which make it possible to make an evaluation. Take the case of a recent downgrade, which was only for a limited component (Moody's downgraded State Bank of India's perpetual bond issue in October). But it was written about as if it was an across the board downgrade. I think our analysts should give a more reasoned evaluation of the developments in the market.

On banks' funding needs

There is the Basel III package. That

"The central bank has to be sensitive about being independent"

Duvvuri Subbarao, Governor, RBI

requires seven per cent common equity and 10.5 per cent for the counter cyclical buffer. At the moment our banking system more than meets that requirement. The question is how are we going to meet that requirement going forward? Since ours is a rapidly transforming economy, per unit of gross domestic product will require more credit than in the past. So the credit intensity of the economy will increase. So our banks will have to raise capital to meet the growing credit needs. How much capital each bank will need to raise will depend on how we calibrate this: Is the capital adequacy ratio going to be seven per cent common equity as required under Basel–III or is it going to be one per cent higher for Indian banks, as the norm is now? For example, the Basel requirement is eight per cent today but our requirement for banks is nine per cent. Should we say seven per cent or seven plus one per cent? Should we give time till 2019 or should we accelerate? It depends on all that. But the order and magnitude runs into hundreds of thousands of crore. I would not like to put out a precise number unless we have a more reliable estimate.

On the time-frame for lowering banks' reserve requirement

There is no time-frame except that it depends on the time-frame for fiscal consolidation.

On the road map for the Indian banking sector

I'm talking about the RBI view. To assess our banking system on the basis of whether we have a globally competitive bank would be inappropriate. Our largest bank, State Bank of India, is today ranked at 57th position on some parameter by one institution. Global ranking and size is important for banks which have global operations. Our banks have a lot of work to do within the economy. So the need for them to explore global business is much lower. There is a lot of financial exclusion both in terms of area and coverage. Also, the credit demand of the economy is going to go up. The short point I'm trying to make is that we need not necessarily assess the strength of our banking system on whether we have a globally competitive bank. On whether we should have large, medium and small banks, our own view is that we need all of them to cater to all sorts of credit demands in the economy.

On issues stalling the norms for conversion of foreign banks from the branch to a subsidiary model

Tax will be an issue when they shift from being a branch to a subsidiary. Also, we will not give them complete national treatment. What I mean is in terms of branch authorisation, in terms of priority sector obligations, because foreign banks have different sets of priority sector obligations.

On the eligibility of large non-banking finance companies, or NBFCs, for banking licences

It varies from NBFC to NBFC. So, their experience as NBFCs will be one of the many criteria on which we will determine banking licences. Just because they might potentially be able to roll out faster will be one of the many considerations in determining their eligibility for a banking licence.

On RBI's mandate and autonomy

The central bank has to be sensitive about the importance of being independent. But we also have to make a realistic assessment of that. As I have said several times, RBI is a different type of central bank. We enjoy a much wider mandate than other central banks. We have a lot of social development obligations, and in that respect our interface with the government is much broader than that of other central banks. Therefore, autonomy and independence have to be measured in the context of the mandate of the central bank. But when it comes to monetary policy, the central bank has to have autonomy because that is good for the government, the system and for the economy.

Full transcript of the interview at www.businesstoday.in/subbarao

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Booster Shot

Ranbaxy is set to become the first home-grown company to get a new drug to market. By E. KUMAR SHARMA

It was India's largest pharmaceutical company when it was acquired by Japanese pharma major Daiichi Sankyo in 2008. Three years later, Ranbaxy Laboratories stands on the verge of also becoming the first home-grown company to successfully develop and launch a new drug, having obtained conditional market approval from the Drug Controller General of India, or DCGI, for its new anti-malaria combination, Arterolane maleate with Piperaquine phosphate.

VIVAN MEHRA

Achievement: Ranbaxy's R&D lab at Gurgaon

While Ranbaxy has so far refused to comment, Malvinder Mohan Singh, Group Executive Chairman, Fortis Healthcare, who sold Ranbaxy to Daiichi, and was at the helm when this drug was being developed, was delighted. "It is absolutely fantastic. It is a new cure for malaria and is going to be the first NCE out of India that is actually developed and worked upon by an Indian company," he told *BT*. (NCE stands for new chemical entity.)

The drug is expected to revolutionise the treatment of Plasmodium falciparum malaria, a virulent form of the disease, which claims nearly one million lives a year, mostly in Africa. "Malaria is endemic in many countries, including India, and any breakthrough will provide succour to millions around the world," says Ranjit Shahani, President, Organisation of Pharmaceutical Producers of India.

Global pharma major Roche had handed this project to Ranbaxy Laboratories in May 2003 under a project called the Medicines for Malaria Venture. But even if Ranbaxy did not initiate work on the drug, analysts maintain its achievement in developing it and bringing it to market is a landmark. Around 80 per cent of new drugs are brought to market by the big global majors, even though only 35 per cent of such drugs have been developed by them from the earliest stage. Smaller companies engaged in research often find going the full course up to the market beyond their means and end up outlicensing their NCEs to big pharmas. That a relatively modest company like Ranbaxy has been able to bring a drug to market is creditable.

"This development is significant for three reasons," says Ajit Mahadevan, Partner, Life Sciences, Ernst & Young. "First, the therapy area (malaria) is a focus area for emerging markets and India. Second, developments like these strengthen the credentials of Indian research and open up scope for more funding for it. Finally the cost of development of a drug will be lower in India than abroad."

Will the drug transform Ranbaxy's fortunes? Analysts feel that, since the drug cannot be priced too high, it may not boost revenues excessively, though it may give the company decent returns.

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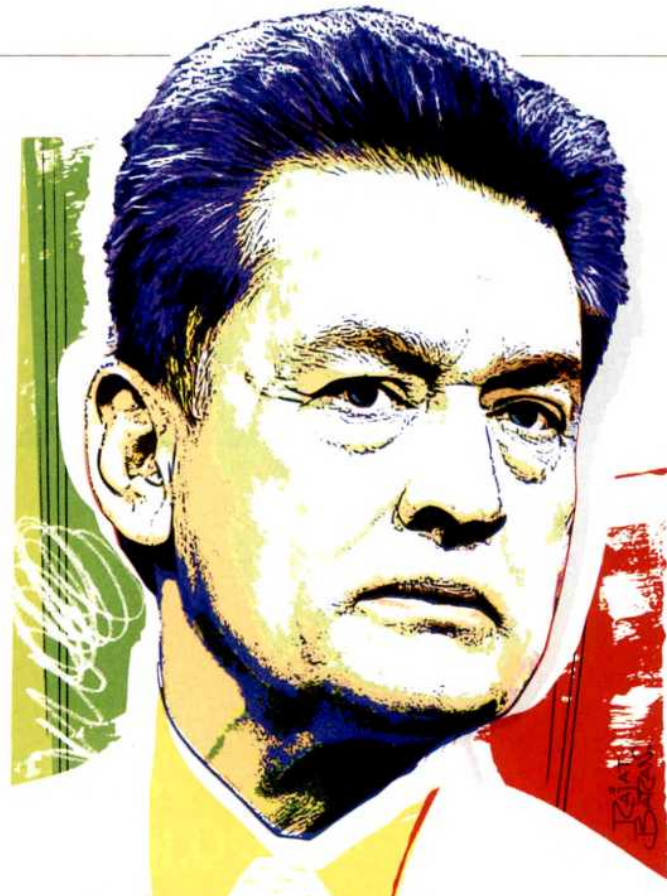

'An Honest Mistake'

ISB's founding dean feels US regulators are using Rajat Gup to warn corporate America. By E. KUMAR SHARMA

What do close friends and associates of Rajat Gupta, the former managing director of McKinsey & Co who is now facing charges in an insider trading case in the United States, think of him? "He is a good man and I have full confidence that Rajat did not do anything wrong intentionally," says Pramath Raj Sinha, the founding dean of the Hyderabad-based Indian School of Business, which is seen as Gupta's brainchild. "I admit I am biased but I do think very highly of Rajat and the impact of the good work he has done, be it in the area of public health or education."

Having known Gupta for 17 years, Sinha, the Founder and Managing Director of Delhi-based 9.9 Mediaworx, is upset over the way Gupta has been portrayed in the media. "It is completely wrong. The mec is portraying him as an evil person, o who is driven by greed," he adds.

Gupta is charged with having ma calls to his friend Raj Rajaratnam, the cc victed hedge fund titan, seconds aft Goldman Sachs board meetings, to pass confidential information he had access as one of its directors. But would he r have known he was doing somethi wrong, which could have dire con: quences? "What may have happened w perhaps just a mistake, an honest mista But should this be the price to pay fo lifetime of achievements without a blemish," asks Sinha. He feels US regulat are using Gupta, trying to make an exa ple of him to send out a stern message others in the corporate world.

GUPTASPEAK

"You have the right to work, but never to the fruits thereof. Not only should you do your very best, but you have to do it with your best intention."

A quote from the *Bhagavad Gita* with which Gupta would end his Graduation Day speech every year while he was chairman of the ISB board. He quit in March this year after his name first figured in the Raj Rajaratnam-owned Galleon Group insider trading scam.

"If you have a truly learning mindset you will learn from everything, and in fact you learn from unexpected things."

"Whatever you are doing, you should think a little bit outside its boundaries. Don't contain yourself to doing your job well or even excellently."

What he told the ISB Class of 2009 on its Graduation Day on April 4, 2009

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Heels at the Wheel

Car makers put women in the driver's seat in their ads to cash in on their growing empowerment. By DEARTON T. HECTOR

Hyundai's latest small car, the Eon, launched in October, drew immediate attention with its curves as well as its attractive mileage and competitive pricing. What was also significant, however, was its launch advertisement, which showed four young women enjoying a ride in it. There were no men around. Traditionally, auto ads have featured men at the wheel, since drivers were believed to be predominantly male, and men were the primary targets of auto ads. But clearly, the times are a-changing.

An i-10 Gen Next ad

The Hyundai Eon ad

An ad for the new Ford Fiesta

Quite a few ads in India have lately featured women in the driver's seat. The trend started with the ads for Hyundai's Next Gen i10. In one of them, actor Shah Rukh Khan is shown being tricked by his woman companion into giving her his driver's seat. Ford India's ad for its all-new Fiesta also shows two young ladies enjoying the drive. "Women were earlier shown only as decorative pieces in skimpy clothes. Now, there are a lot of financially-independent women and they are decision makers. The ad makers know this," says ad film maker Prahlad Kakkar.

The change in perception may be a reflection of the socio-economic and demographic changes in the country. Industry estimates suggest eight to nine per cent of all car owners in the country are women. Says Arvind Saxena, Director, Marketing and Sales, at Hyundai Motor India: "The basic idea is to communicate style and youthful energy in our commercials. Our strategy is to consolidate our position in the subcompact and compact segments and also drive preference for our products."

Maruti Suzuki has seen women buyers of its models grow by two to three per cent every year. "Women are influencing the decision-making process of buying a car," says Shashank Srivastava, Chief General Manager, Marketing.

Anurag Mehrotra, Vice-President, Marketing, Ford India, says his company focuses on consumer personality, not on gender. "Today, there is a mix of men and women with similar traits of ambition, of wanting to make a mark," he adds. Thus, the Fiesta ad shows real people driving the car, rather than models.

The shift has been a gradual one. "Banks are led by women, the leader of the ruling political party is a woman," says Josy Paul, Chairman and National Creative Director of BBDO India, a leading ad agency. "There is a social context. The real thing is happening around us, not only in ads. What is the big news?"

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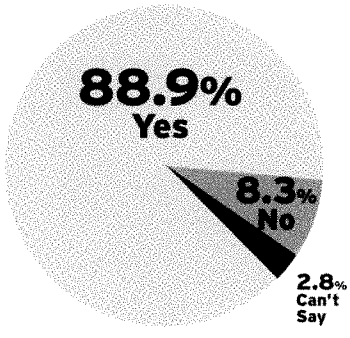
IS THE GOVERNMENT TRYING TO DEFANG THE RTI ACT?



Results of *BT* online poll;
No. of respondents: 143

An overwhelming majority of respondents has voted in favour of the proposition. By initiating a debate on the scope of the Right to Information, or RTI, Act, especially after it has helped unearth some of the biggest corruption cases in the country and put ministers and bureaucrats behind bars, the government has made its intentions very clear. It wants to curb access to documents. It has argued that RTI is being 'misused' by all and sundry mostly for trivial matters, causing nuisance as well as panic among bureaucrats who fear even their smallest actions can now be subjected to public scrutiny.

Next poll question:
Has the arrest of Rajat Gupta dented the image of the Global Indian?
Log on to
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BT-ERNST & YOUNG
DEAL WATCH
BIGGEST DEALS IN THE PAST 30 DAYS*

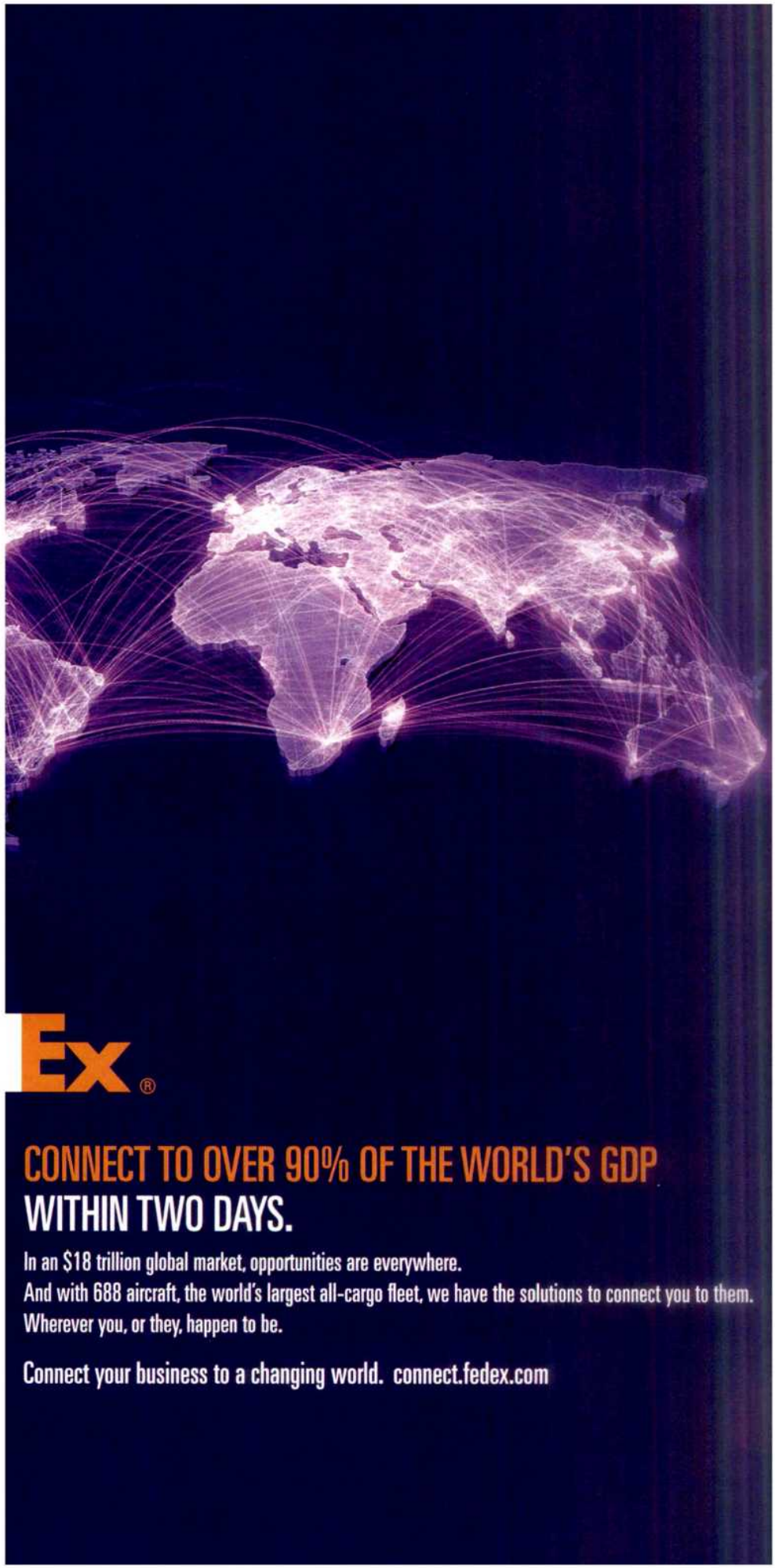
Sumant Sinha

Goldman Sachs has invested ₹1,000 crore ($200.3 million) in ReNew Wind Power, a Mumbai-based renewable energy solutions provider, marking the largest deal in the renewable energy generation industry in India. The deal will give Goldman Sachs a majority stake in the company. SaVant Advisors is guiding ReNew Wind Power in this transaction. ReNew Wind Power currently has a generation cap-acity of 85 mega watt and plans to add 200 to 300 mega watt annually. Following the deal, the company expects to reach a generating capacity of gigawatt by 2015 as well as expand its operations in other areas of alternative energy.

Goldman Sachs has been an active investor in the renewable energy sector with a total investment of $1.5 billion.

TARGET	ACQUIRER	INDUSTF
ReNew Wind Power	Goldman Sachs	Health ca
Max Healthcare Institute	Life Healthcare Group Holdings	Health ca
Force India Formula One Team	Sahara India Pariwar	Media ar entertainn
Embassy Property Developments	HDFC India Real Estate Fund International Llc	Real esta
Carrizo Oil & Gas Inc - Eagle Ford Shale Asset	GAIL Global (USA)	Oil and g
Kilitch Drugs (India) - Paonta Sahib Plant	Akorn India	Pharmaceut
India Infoline	Carlyle Group	Financia services
Letsbuy.com	Sequoia Capital, Matrix Partners	Technolo
Way2Wealth	KKR	Financi service

Ernst & Young is a leading M&A advisor in India. The data is based on announcements. Any decision on the basis of this information shoulc *Business Today* or E&Y do not undertake any responsibility with rega
*October 2011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"Sometimes something appears in the newspapers in our country, something appears in China, that I think invites comments. But overall, our relations are quite good."

Manmohan Singh, *Prime Minister, on India-China ties, quoted by news agencies*

"Since I couldn't sing, I couldn't be Jackson, and since I'm not tall I can't be Jordan. So, I was left with Schumacher as role model."

Sebastian Vettel, *Formula 1 driver, who is looking to emulate his idol Michael Schumacher's record of winning 13 races in a year, in* The Times of India

"There is no bubble in the real estate sector."

Keki Mistry, *Vice-chairman & CEO, Housing Development Finance Corporation, in* Mint

"WE WILL NOT CUT RATES EVEN IF INFLATION DROPS TO 7 PER CENT."

Duvvuri Subbarao, *Governor, Reserve Bank of India, in* Mint

CLASSIC BUSINESS QUOTE

"The greatest crimes are caused by surfeit, not by want."

Aristotle,
Greek philosopher

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BT RETRO
(FEBRUARY 24, 2008)

Retail Rush

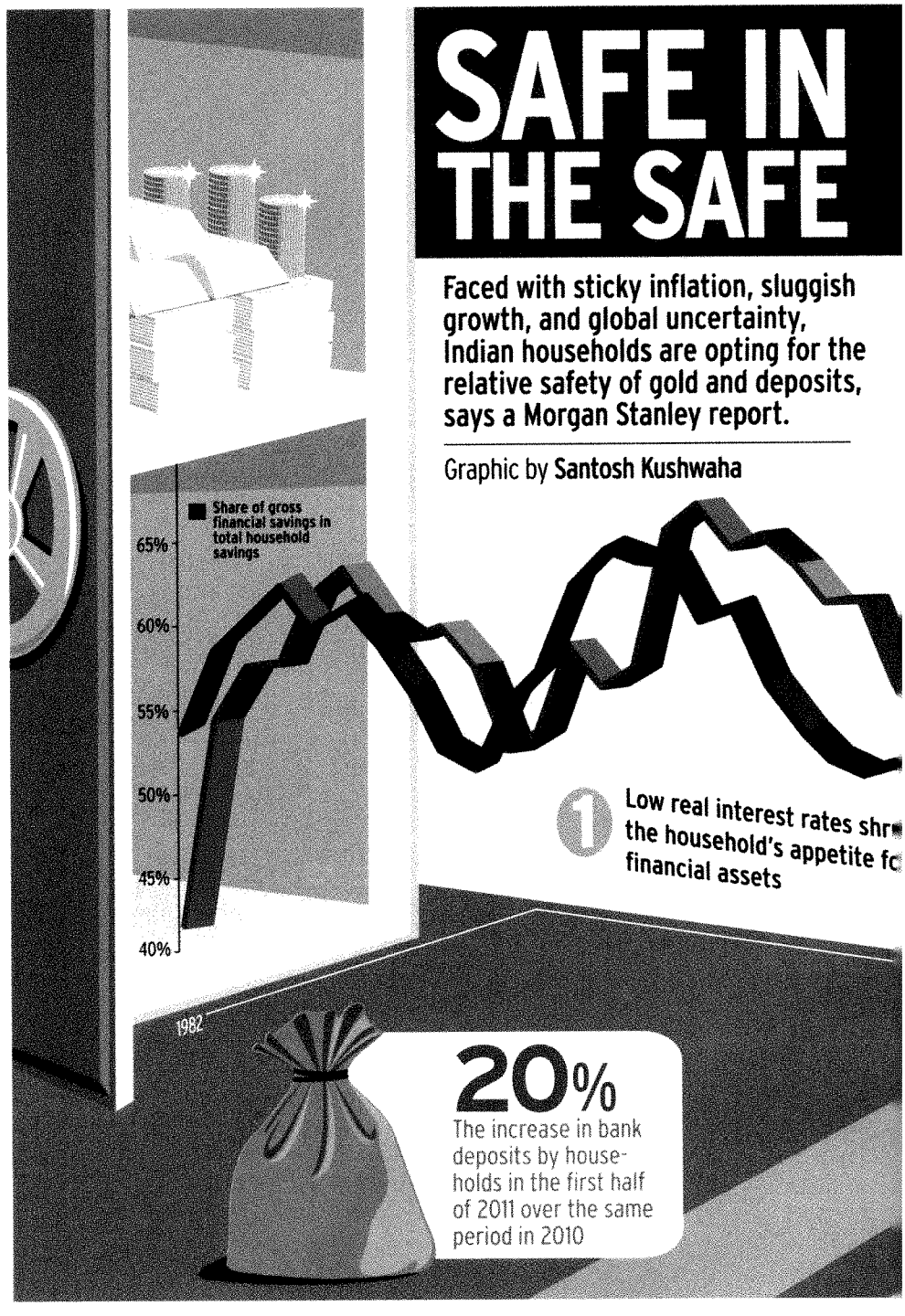
THEN: The Oasis Centre is a new 200,000-square feet retail centre on Bangalore's Intermediate Ring Road and was opened in late January by the $2-billion Landmark Group, based in Dubai. Backed by music, balloons and confetti, the place was thrown open to business as an odd selection of hangers-on, store staff and visiting journalists looked on. The centre of attention was a man in a dark blazer and khakis, who seemed embarrassed by the attention. This reticent man is Mukesh 'Micky' Jagtiani, a one-time cabbie-turned-retail mogul.
Jagtiani started with just one store in West Asia three decades ago; today, his empire has expanded to 600 stores that employ 20,000 people, with operations in India, China and Europe. Jagtiani plans to invest $500 million in expanding his India footprint. "The competition is intense in India with Biyani, Ambani, and Mittal on a massive expansion path but we believe we've created our own niche here," he says.

NOW: Micky Jagtiani is the richest Indian expatriate in the Gulf Cooperation Council with a fortune of $3.2 billion. His Landmark Group's presence has grown in West Asia, Egypt, Pakistan, and India, where it has 101 outlets in retail, hospitality, and mall management.

SAFE IN THE SAFE

Faced with sticky inflation, sluggish growth, and global uncertainty, Indian households are opting for the relative safety of gold and deposits, says a Morgan Stanley report.

Graphic by **Santosh Kushwaha**

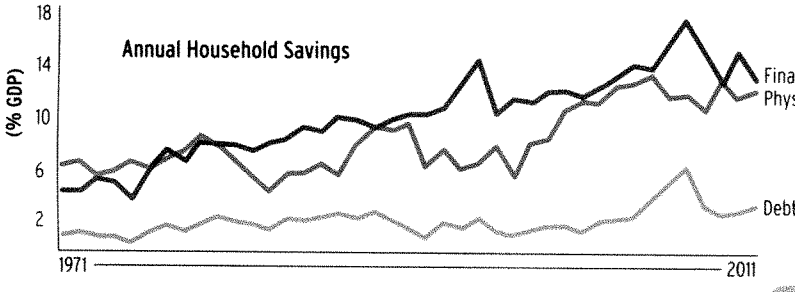


5 STEPS TO HERE
POWERGRID'S GLOBAL FOOTPRINT

April 2004
PowerGrid completes the first foreign consultancy contract that it secured in 2003 from Bhutan Telecommunications.

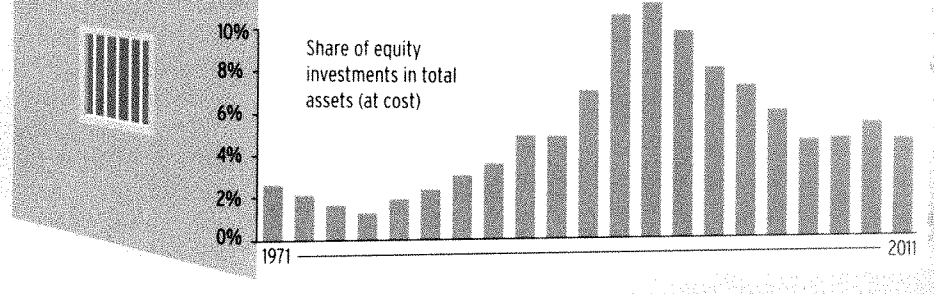
September 2008
It completes the 220 KV transmission line from Pul-e-Khumri to the Kabul Transmission System in Afghanistan.

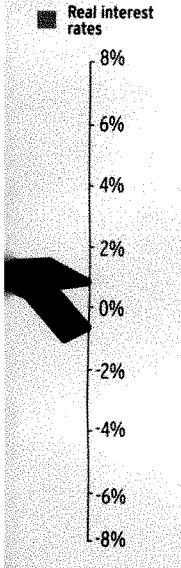
2 Households have shown a preference for physical assets in their search for yield and safety



51%
Increase in gold purchases in the first half of 2011 over the same period in 2010

3 Their choice has left them significantly underexposed to equities

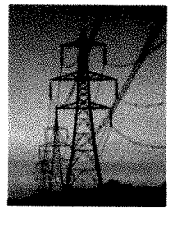




4 Two asset classes that households have mainly focused on are gold and bank deposits

	June' 10	June' 11	YoY Change
Gold	16,146	24,309	8,163
House property	7,404	8,447	1,043
PPF, small savings, govt deposits	8,898	2,997	-5,901
New business insurance premium	14,310	12,213	-2,096
Bank fixed deposits	33,460	40,214	6,755
Fixed income mutual funds	-1,928	2,869	4,796
Equity purchases (Direct in the market + through institutions)	5,257	-58	-5,315
Total ($ m)	**83,547**	**90,992**	**7,445**

November 2010
Wins a consultancy services contract from Nepal for its Dhalkebar-Sakari 400 KV transmission line project.



June 2011
Announces project execution experience in seven countries, including Dubai, Nigeria, Kenya and Sri Lanka.

October 2011
Proposes joint ventures in Bangladesh and Sri Lanka, entailing an investment of ₹1,500 crore.

ANAMIKA BUTALIA

BT TRIES OUT MICROSOFT'S INNOVATIVE SMARTPHONE OPERATING SYSTEM

Mango Delight

Steve Jobs once threatened to go 'thermo-nuclear' on Google because he believed the company had copied the iOS operating system off the iPhone and iPad. At other times, he had uncharitable things to say about Bill Gates and Microsoft. But we doubt he would have wanted to sue Microsoft for its new smartphone operating system – Windows Phone 7.5, also known as 'Mango'. In fact, Microsoft needs to be complimented for building an innovative mobile operating system and giving it a new tile-based look and feel.

There are several things to like about Mango. The user experience lives up to the company claim that it was designed with the customer in mind. The full-integration with Twitter, Facebook and LinkedIn, while not unique, is done very well, as are the stark black-on-white or white-on-black colours. Available applications such as Mobile Office work well on this device. Also, the latest build of the desktop version allows you to sync your documents, presentations and spreadsheets across your computer and your phone. When we synced Google (for Gmail) into this device, it also picked up contacts and phone numbers.

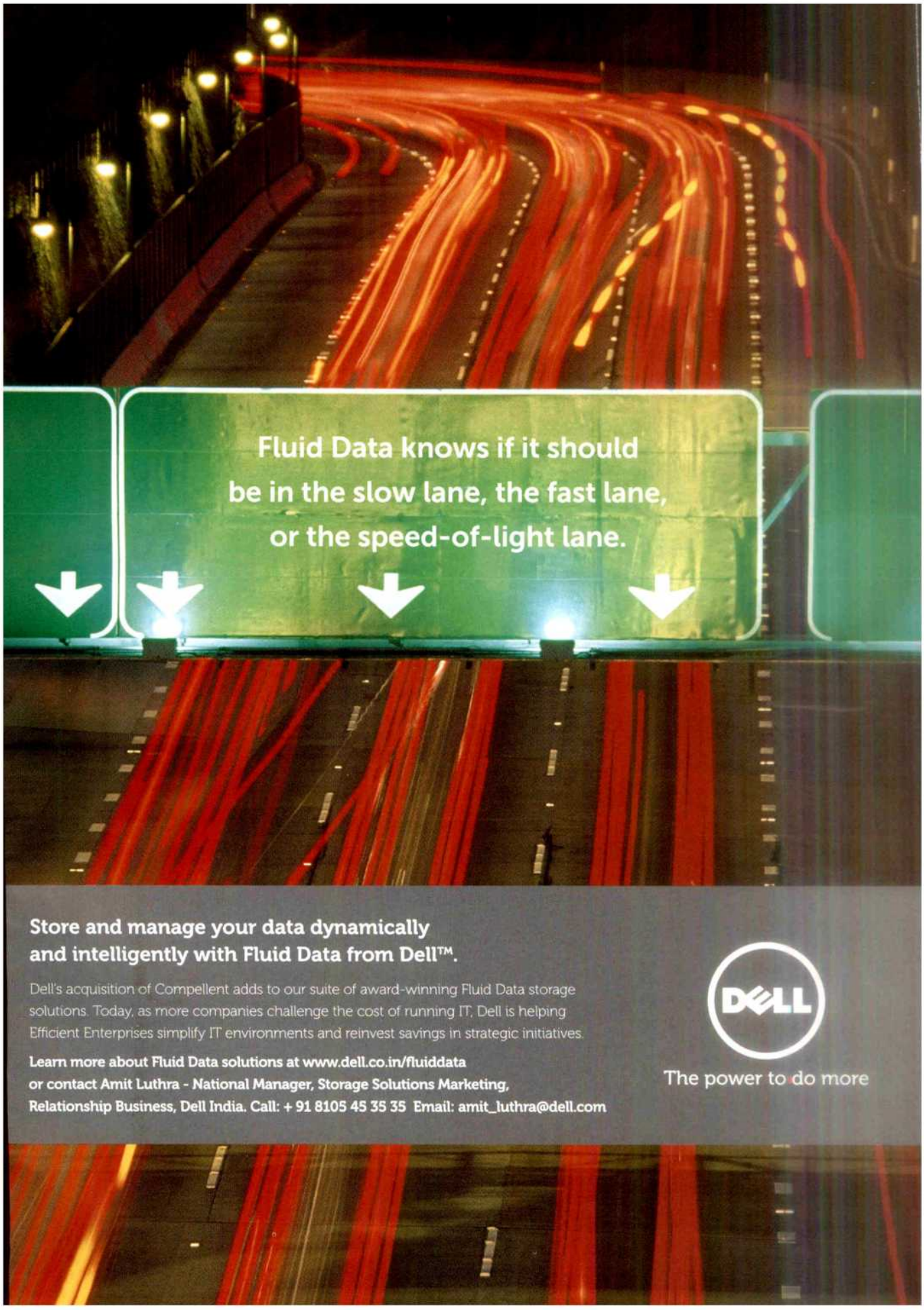
However, unlike Google's Android, Microsoft has a far stricter control of the user experience. On Android devices such as Samsung Galaxy, HTC or SonyEricsson Xperia, the user experience is quite different on each even though they all run the same core build of Android. But that will not be the case with the HTC Radar, where we tested the Mango, and the Nokia Omnia 800, which was recently launched. It will be interesting to see how other hardware manufacturers respond to the new system.

Windows Phone 7.5 Mango

Great user-interface, full integration with social networks

Camera software could be better, so too Microsoft Bing search

Price: ₹23,990



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DELL

The power to do more

> "Consolidating our physical servers by 88 percent through virtualization has made server maintenance a simpler and faster task. We no longer need to manage a large number of physical servers which used to take up a considerable amount of time from the IT team."

Prasanna Kumar Nayak, Head - IT, Micromatic Grinding Technologies

Micromatic Grinding Technologies (MGT) manufactures a range of external, internal, universal and special purpose cylindrical grinders in CNC, PLC, and hydraulic versions. The company has 57 percent of market share, and relies heavily on technology to stay ahead. MGT needed a scalable IT infrastructure that would help employees to satisfy growing customer requirements. However, additional servers needed extra physical space and up to two months for deployment. With architecture and management strategies grounded in open standards, Dell enabled a modular approach to infrastructure scaling. Recognising the pressing needs of MGT, Dell's IT consulting team deployed PowerEdge™ R710 servers with VMware® vSphere™ 4 virtualization software and a Dell EqualLogic™ PS6010XV storage area network (SAN).

88 percent server consolidation enables significant increase in performance

MGT's Enterprise Resource Planning (ERP) system was not performing optimally and the resulting data outages impacted the company's product and service delivery. The upgraded infrastructure recommended by Dell's ERP consulting team enabled MGT to consolidate physical servers by 88 percent and optimised ERP system performance. This, in turn, increased overall employee efficiency. The time to add new servers was reduced from two months to 15 minutes. In addition, it resulted in overall savings of 70 percent in energy consumption, physical space and maintenance.

Significant improvement in customer response time as ERP performs better

Before the new infrastructure, ERP transaction codes and reports which were crucial to design, production and planning departments took a long time to process. Consequently, their customers had to wait longer for information and delivery of machines. By deploying a storage solution based on iSCSI architecture, the ERP system performs six times better (on average) thus enabling MGT to deliver machines to customers on time.

Plans for future growth with reliable support from a one-stop solutions provide

As a result of upgrading the IT infrastructure support the ERP system, MGT has been able satisfy both internal teams and extern customers. The company is also able to ensu minimal downtime of their IT systems with th support they receive through Dell ProSuppor with Mission Critical. Long-term projec include plans around desktop virtualizatic business continuity and disaster recovery.

The Dell Advantage

- Modular, open standard solutions that meet businesses' evolving needs
- Optimised ERP system performance and increased employee efficiency
- Savings in energy consumption, physica space and maintenance
- Minimal IT systems downtime

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QUIRKY

Equine Fix to Traffic

his Ahmedabad-based doctor s found a unique cure for his aily traffic woes. Fed up with gging traffic snarls and ever-creasing parking problems in ne city, Dr Himanshu Khara as dumped his four luxury cars, including a SUV, for rses. He finds it convenient o ride to his clinic in a con-sted neighbourhood or to run rands. Dr Khara's fascination ith horses began five years , and today he even picks up s daughter from her dance class on one of his horses.

SNOOT CORNER

ixing Matters

ow did cocktails originate nd why do some of them ear such weird names? egendary New York bart-er Jerry Thomas is said to ve popularised cocktails n signature drinks such as Blue Blazer back in 1803. mas defined a cocktail as mixture of spirit, sugar, er and bitters. Merriment nd cocktail consumption o hand-in-hand and are rhaps the reason for the tlandish names they are sometimes given.

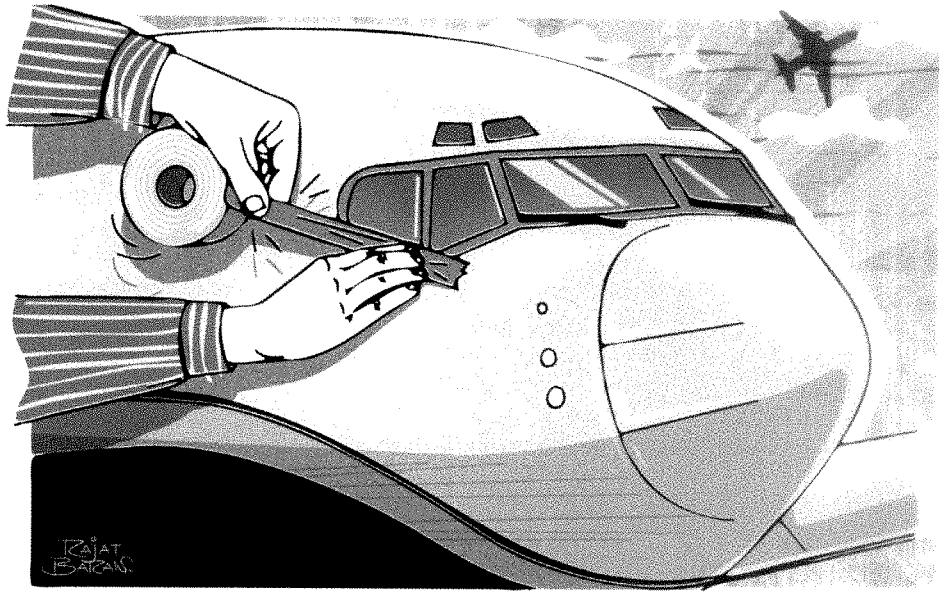
HOW THINGS WORK

Blowing in the Wind

Recently, there was a midair scare in London after the duct tape used to secure the damaged cockpit window of a Ryanair aircraft came unstuck shortly after take-off. Aircraft windscreens need to be subjected to certain routine checks. Here's a primer:

FEATURES: Cockpit windows are made of multiple layers of glass and plastic to withstand bird hits, hail, etc. A heating element within the layers prevents frost and ice from obscuring the pilot's view. A coating on the outside allows the screen to remain clear even when it rains.

KEY CHECKS: Windscreens vary, depending upon the kind of aircraft, the speed at which it travels, the cabin pressure and the heating system in the cockpit. Whether the windscreen conforms to the specifications of the aircraft concerned, has to be checked. Windscreens should also be fitted with correct bolts from the inside rather than the outside.

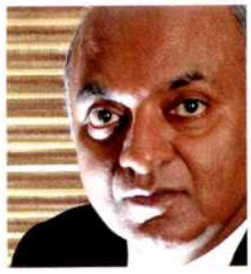


JUST WONDERING

Victim of Change

Marhaura, a nondescript town in Bihar's Saran district, had its moment of fame in 2007 when then railway minister Lalu Prasad Yadav announced that a diesel locomotive factory would be built there at a cost of ₹1,400 crore. A huge demand for locomotives had been anticipated after the sanction of separate East and West freight corridors. In March 2009, the railway ministry even began acquiring land for the factory, hoping to complete work in two to three years. But a ministerial change at Rail Bhawan stalled work. In February 2011, it was decided that the factory would be built under the public-private partnership model. Financial bids for the project were invited until April. Since then, very little has been heard of the Marhaura project. The freight corridors too remain in limbo.

COMPILED BY ANAMIKA BUTALIA



Punishment Before Conviction?

The normal rule is bail, not jail. This was made abundantly clear by the Supreme Court in the 1970s. The only legitimate grounds on which bail can be denied to an undertrial – in cases not attracting the death penalty or life imprisonment - are the likelihood of witnesses being influenced, or documentary evidence being tampered with, or the likelihood of the accused absconding. (Of course, different considerations would apply if a conviction is recorded and bail is applied for at the appellate stage. If you are convicted, you have already been found guilty, so stricter considerations will apply.)

Recent scams have created a "hang the corrupt!" mentality in the public. They can't really be blamed because, after all, a sitting Supreme Court Judge not particularly known for verbal restraint famously remarked that the corrupt should be hanged from the nearest lamppost. Then came Anna Hazare with his demand that corruption should be punishable with the death penalty. The public sentiment even on bail to undertrials in corruption cases has unfortunately been coloured by extreme views on punishment for corruption.

The public sentiment even on bail to undertrials in corruption cases has unfortunately been coloured by extreme views on punishment for corruption

But the judicial discretion on grant or refusal of bail is to be exercised on long-recognised tests. In the 2G case, the prosecution itself did not oppose the grant of bail to five accused, obviously because it did not have any apprehension that they would either influence witnesses, tamper with evidence or abscond – the three circumstances I mentioned earlier. As a matter of fact, the prosecution ought not to have opposed the grant of bail to any of those who applied for it: the distinction it sought to make between five-year terms and seven-year terms, and between those figuring in the main chargesheet and in the supplementary chargesheet, is artificial and illogical.

While the trial court is not bound to grant bail merely because the prosecution does not oppose the grant of bail, and is required to apply its mind independently, that discretion is required to be exercised judiciously.

In my view the trial court has seriously erred in declining bail. The view of the trial court that bail should be denied in the interests of a secure environment for the witnesses to testify is not justified. There should be a real apprehension that witnesses would be intimidated. We must remember that keeping a person in jail takes away his liberty and if he ultimately gets acquitted there is no adequate recompense for the period of lost liberty.

Denial of bail should not become a punishment before conviction. Let us not forget that, under the criminal law, there is a presumption of innocence until guilt is proved. And that guilt is to be proved beyond reasonable doubt. It must also be remembered that denial of bail impinges on the right to fair trial because the accused gets very limited contact with his lawyers and that too in a very controlled situation. Therefore, a proper preparation of defence is hindered. As Justice Krishna Iyer said, "...It makes sense to assume that a man on bail has a better chance to prepare or present his case than one remanded into custody. If public justice is to be promoted, mechanical detention should be demoted."

It is only of late that the courts in India seem to have become extra conservative in the matter of grant of bail generally, and particularly in cases of white-collar crime. This is regrettable, since the legal tests for grant of bail continue to remain the same. ◆

The author is a senior advocate of the Supreme Court and a former additional solicitor general.

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The $2-bn Question

What will Ajay Piramal do with the pile of cash he earned from the sale to Abbott? Three teams are scouting investment avenues.

By GEETANJALI SHUKLA

You are obliged to act, Arjuna, even to maintain your body. Fulfil all your duties: action is better than inaction.

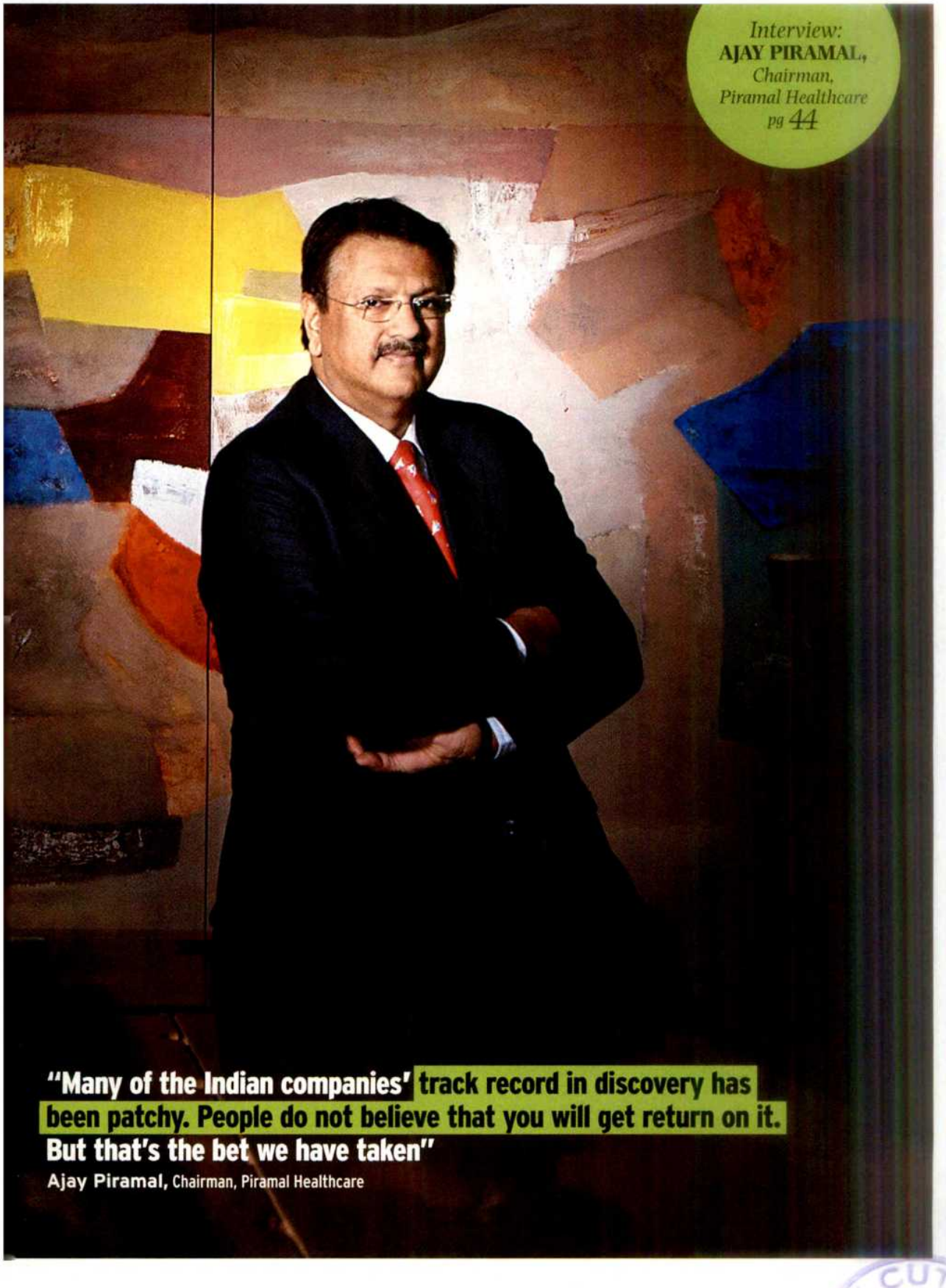
Ajay Gopikrishna Piramal, Chairman of Piramal Healthcare, has not followed this advice from the Bhagavad Gita, a text he reveres. He has not done much with the cash pile of $2.12 billion (over ₹10,000-crore) he got as part-payment in September 2010, when he sold his company's formulations business to the US-based Abbott Laboratories.

He has no doubt paid his taxes on the amount – ₹3,800 crore; handed out a special dividend – ₹250 crore; made a ₹2,510-crore share buyback and invested ₹2,856 crore in Vodafone, while parking ₹1,000 crore in liquid investments. Earlier this year, he got more money from the deal – the first of four annual instalments of $400 million each that will complete the deal.

Why this inaction? "I am glad that we haven't made any major investments in the last one year," says Piramal, 56. "One could have been trapped in so many things. But one year is not too long in the life of a company."

You can say that again. The story goes that in 1988, when Piramal diversified for the first time – the family business had been in textiles – by bidding for the Indian unit of the pharmaceuticals multinational Nicholas Laboratories, he clinched the deal by telling a sceptical Mike Baker of Nicholas he would put the company among the top five drugmakers in India. Nicholas was then ranked 48th. Ten years later, when Nicholas Piramal

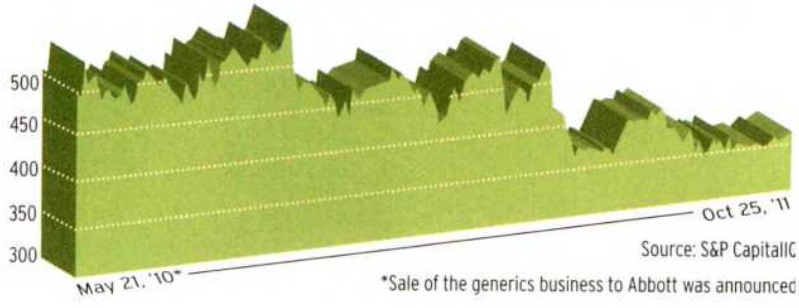
PHOTOGRAPHS BY NISHIKANT GAMRE/www.indiatodayimages.com



CALCUTTA CENTRAL

INVESTOR THUMBS DOWN

Piramal's inaction has disappointed investors affecting Piramal Healthcare share prices



Source: S&P CapitalIC

*Sale of the generics business to Abbott was announced

became the fifth-largest, Ajay Piramal visited Baker at his retirement home in Kenya with the news.

But Piramal's deal with Abbott and the fact that much of the cash he earned lies unused has not enthused investors. Piramal Healthcare's stock has fallen 37 per cent since May 2010 when the deal was first announced. Investors expected more for themselves from the sale, and were further spooked by the investment this year in telecom company Vodafone Essar.

ing ones. We are looking at mergers and acquisitions..., but valuations are high, and that's posing a challenge."

Drug discovery is another area, with Piramal banking on a molecule for rheumatoid arthritis that he expects to start selling next year.

The two other strategy groups are looking outside pharmaceuticals. Vijay Shah, a director of holding company Piramal Enterprises, who has been with Piramal for over two decades, heads one group that

"We want to discover..., do all the clinical development, commercialise it ourselves"

Somesh Sharma, Managing Director, Piramal Life Sciences

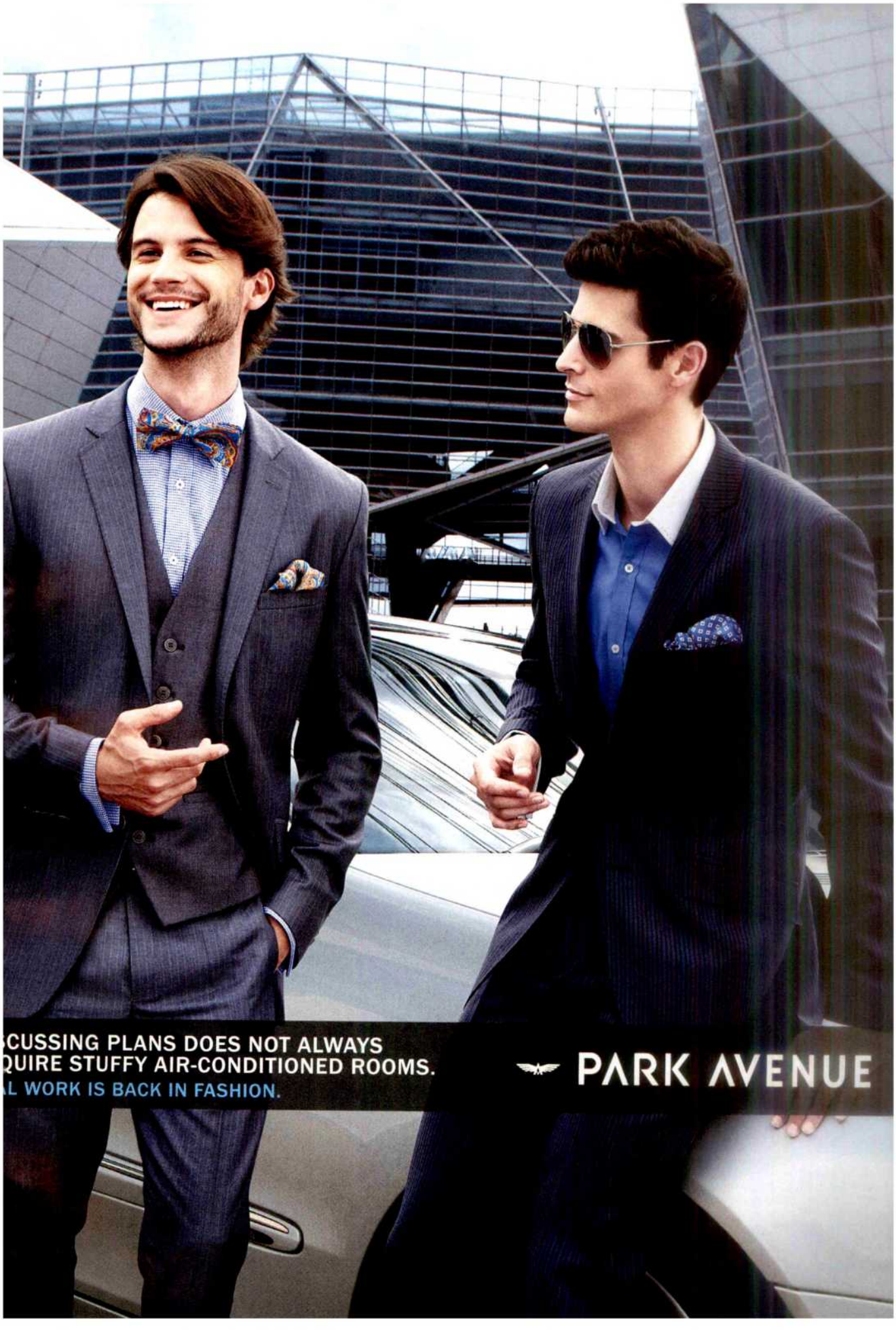
Think Before You Leap

Piramal is not worried: he has bigger payoffs in mind for them. *Business Today* learns that he has set up three strategy groups to look for business opportunities. One group is studying the pharmaceuticals sector, in which the company still has a strong presence in contract research and manufacturing services, or CRAMS, and over-the-counter, or OTC, drugs. Its brands such as i-pill, Lacto Calamine, Saridon and Polycrol are household names. He says: "We are looking for newer [OTC] brands here, and also ways to strengthen the exist-

PARK AVENUE

Real work is about giving up the stiffness of the conference room and taking corporate decisions walking down freshly manicured gardens. That too, dressed in Park Avenue Formal Wear. While the crisp air goes perfectly well with premium poly wool blue suits paired with structured cotton shirts, the 3 piece grey striped suit matched to a hounds tooth blue shirt and paisley bow tie indicates that you mean serious business. Loosen up as the banker shirts with saddle stitch work perfectly without ties, all it needs is a little embellishment of pocket square.

AW'11


CUSSING PLANS DOES NOT ALWAYS
QUIRE STUFFY AIR-CONDITIONED ROOMS.
L WORK IS BACK IN FASHION.
PARK AVENUE

PARK AVENUE

Being easygoing is an art. And luckily it can be acquired by choosing a combination from the Park Avenue Dress Casual range. Dark denims, bright red-blue check shirts and a soft washed cotton khaki sports-coat lends a relaxed look. Or for that matter, a formal wool blazer with white-washed denim and flat knit makes a non-fussy style statement. You can also sport Wayfarers to enhance your personality, and your productivity. Exchange some ideas, share a laugh, and dress casual.

AW'11

is India-focused. It has already incubated a non-banking finance company, or NBFC. "We studied the subsectors and short-listed real estate," says Shah. The NBFC is now a separate unit and lends to the real estate sector. It will also start lending to the healthcare and education sectors.

The third strategy unit, IndUS Growth Partners, is based in the United States and is headed by Shikhar Ghosh of Harvard Business School. IndUS is looking for specialist companies there which can help Piramal's push into financial services, real estate and other sectors in India.

In the cash-starved real estate sector, Piramal will use its capital via two entry points – the venture capital fund Indiareit and the NBFC. Piramal Healthcare acquired Indiareit in May for ₹225 crore to enable its entry into real estate. Ramesh Jogani, Managing Director & CEO of Indiareit, says: "With banks not lending, there are enough opportunities for Indiareit... In the last six months, we have made three investments totalling ₹530 crore."

"We play the role of incubators, we help strategise and then it is spun off into a separate business, as was done in case of NBFC"

Vijay Shah, Director, Piramal Enterprises

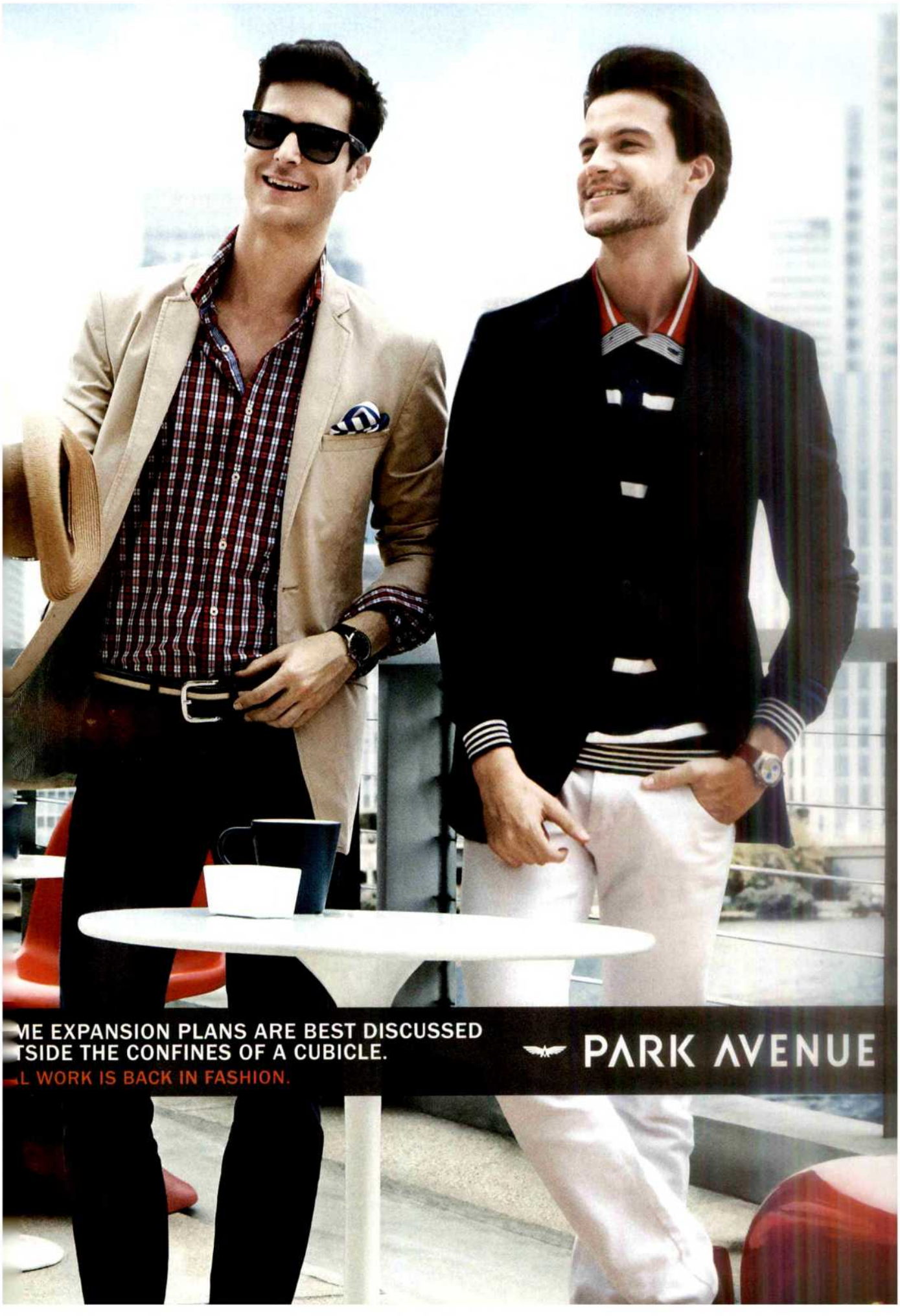
Pharma, Act II

In the July-September quarter, the bulk of Piramal Healthcare's profit of ₹53 crore came from interest and investment income and foreign exchange gains. However, its CRAMS business grew by 32 per cent, OTC and ophthalmology nearly 59 per cent, and the critical-care business, 43 per cent.

Analysts say Piramal's CRAMS business needs improvement but the macro scenario may make it tough to bring in the much-needed growth. Ajay D'Souza, head of Crisil Research, says: "It [CRAMS] has grown 20 per cent over the last five years, but we see it slowing down to as little as eight to nine per cent in the next three to four years. The time needed for approvals to set up a CRAMS unit has gone up from 18 to 24 months. This is negating the cost advantage that India has."

Bino Parthiparamil, analyst at financial company IIFL, says: "Investors are not seeing much potential in CRAMS due to lack of pricing power, its highly competitive nature, and Piramal's history being sketchy here." He notes that the market is not giving the company the benefit of the cash it holds.

Piramal's biggest bet will be on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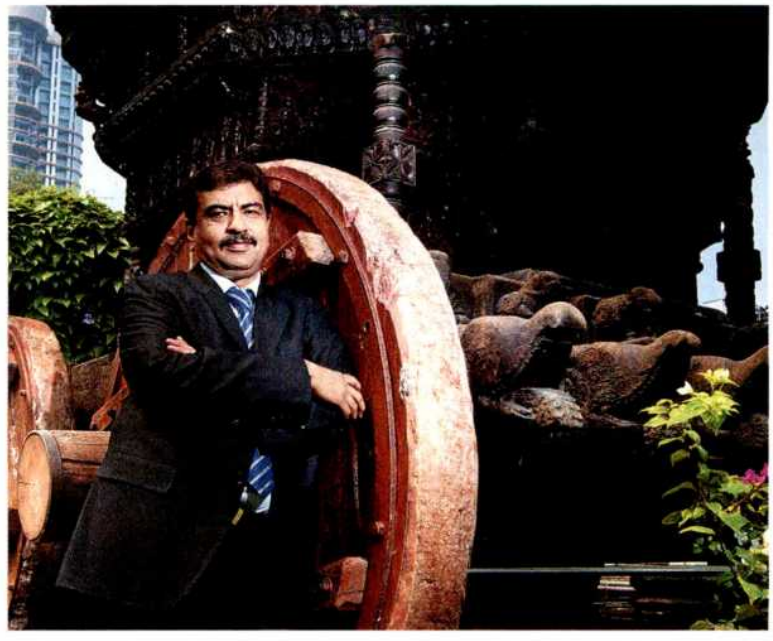

"With banks not lending, there are enough opportunities for us"

Ramesh Jogani, Managing Director & CEO, Indiareit

the drug discovery business, which it had spun off in 2007 into a separate company, Piramal Life Sciences, but will now bring back into Piramal Healthcare. Somesh Sharma, Managing Director of Piramal Life Sciences, says: "We want to discover [new molecules], do the clinical development and commercialise the drug ourselves." It is looking at niches such as oncology, inflammation, drug-resistant bacteria and hospital-acquired infections.

The strategy is to focus on one risky area at a time – where failure is frequent, like oncology – and balance it against anti-inflammation and anti-infectives research, where the success rate is high. Investors are wary of the merger of Piramal Life Sciences – which handles the drug discovery business currently – with Piramal Healthcare, as they fear the impact of the unit's high costs. But Ajay Piramal says the biggest advantage of the merger will be the significant tax benefit it will give the company to adjust against profits.

But diversification is taking time. Shah and his India strategy unit have been evaluating sectors carefully rather than jumping into any. "A year ago, we thought the infrastructure sector was very hot. But we started to see risks and eventually decided to steer clear of it. Today, our decision is proving right," he says. They also rejected EPC – engineering, procurement and contracting – because of its fluctuating demand and poor accounting standards, and information technology, where big companies dominate. "Much effort has gone into looking at why we should not do some things," adds Shah.

Even the US strategy unit has yet to clinch a deal, though it has evaluated over 100 proposals so far. Says Piramal: "It takes time. We are learning new industries. The world is a very uncertain place now."

For now, he says, it is the opportunity that will determine things. And there will be enough funds for the right opportunity. ◆

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Whether the meeting is taken within the four walls of the conference room, or is done over crisp breeze in the open amphitheatre, power dressing always comes in handy. Dress up in a stylised grey suit or a subtle Prince of Wales dress and a crimson trench coat, and see how easy success comes to you.

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IFFERENT POINT OF VIEW IS OFTEN DISCOVERED
STEPPING OUT OF THE CONCRETE JUNGLE.
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AW'11

Q&A AJAY PIRAMAL

Opportunity Will Determine Things

Chairman of Piramal Healthcare **AJAY PIRAMAL**, *talks to* BT's ***Geetanjali Shukla***. *Edited excerpts:*

On shareholder discontent

There are two ways we have rewarded shareholders. In addition to the dividend that we paid out for the year ending March 2011, we also had a big buyback – ₹2,500 crore was given back to shareholders.

On why the formulations business was not demerged before being sold to Abbott

It would not have been possible. We got a valuation that was nine and a half times the top-line and 30 times the EBITDA. Nobody in the world has got that for a branded generics company. Why did we get such a significant valuation? Abbott wanted a company which they could control 100 per cent. They wanted a transaction which was clean and without any liabilities.... a quick and quiet transaction. If you talk of doing a demerger, it will take a minimum of six to nine months as you need shareholder approval, court approval... The maximum that we could have given them was 52 to 53 per cent of our equity, they would have made an open offer for another 20 per cent, but they would not have in any circumstances got 100 per cent... Though the price has gone down in the long-run, we feel, this is in the better interests of the shareholders.

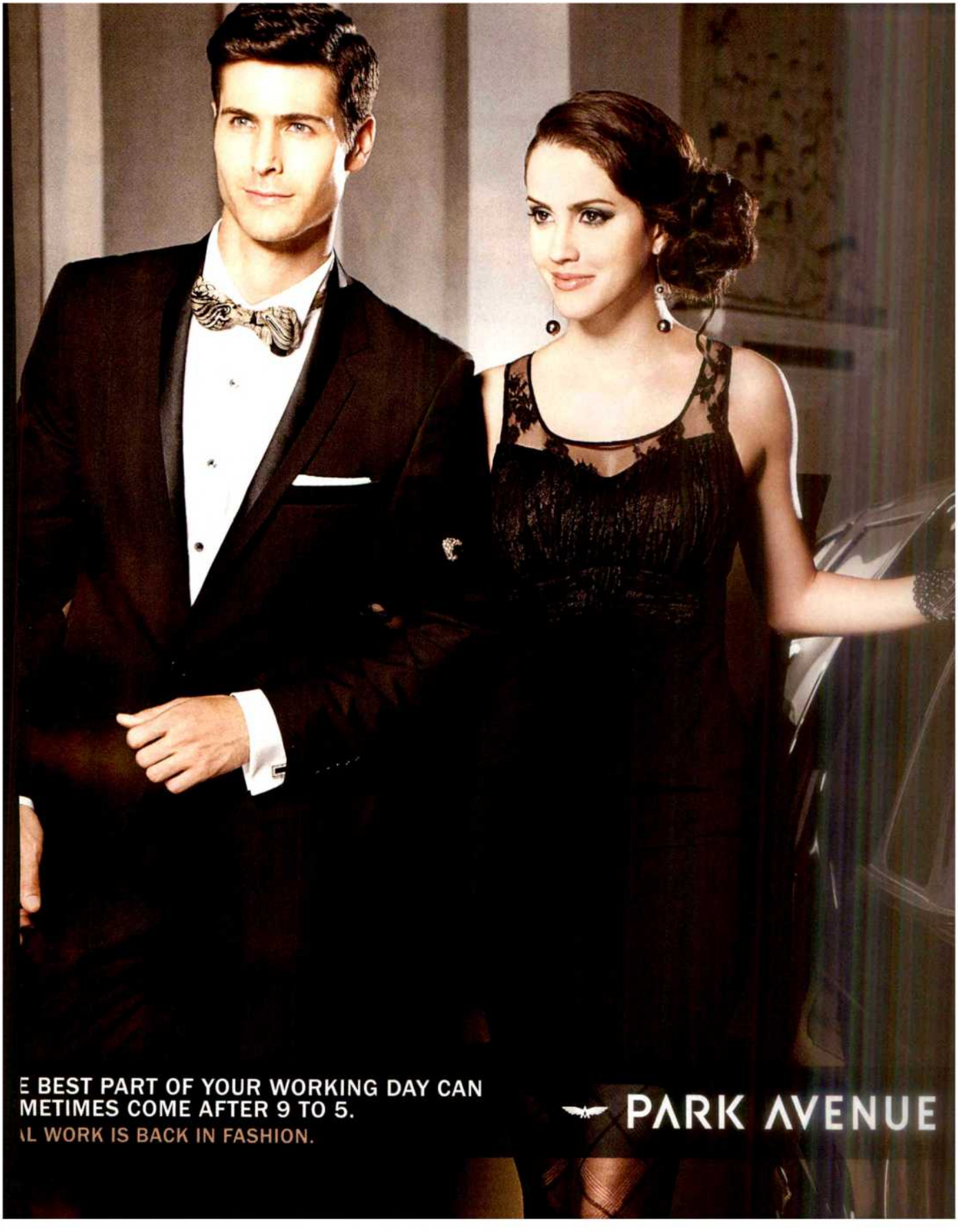
For a more detailed interview go to www.businesstoday.in/piramal

On allocating funds for the strategy units

It is difficult to make an allocation because it depends on the opportunity that one would get. Approximately 60 per cent will still go towards the pharma space. For the right opportunity there will be enough funds. We can raise funds from within; we can also raise funds by raising some debt. I think it is the opportunity that will determine things.

On IndUS Growth Partners

The connection is Nitin Nohria [Harvard's Dean], who has been a very close advisor to us. ...Before he became the dean he was involved very closely with us. That exposed us a lot to Harvard. I have also been to Harvard. Shikhar Ghosh is my son's professor. He spoke very highly of him. Vivek Sharma has also joined this team, he is from the PE firm TH Lee. Nitin came in touch with him and suggested we look at him. We have two more younger fellows, one of whom just graduated from Harvard.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PARK AVENUE

Drawing a blank: The new union is still not recognised

Unlucky Strikes

The strike at Maruti fizzles out a third time as labour leaders take their money and flee.

By ANAND J

Up in arms: Workers protest outside the Manesar plant

MAIL TODAY

At 28, Pradeep Fogat, from Bhiwani in Haryana, is already a Maruti Suzuki veteran. He started at its Gurgaon plant eight years ago as an apprentice and graduated to a staffer on the rolls of a contractor. When the company opened a new plant in neighbouring Manesar in 2006, Fogat moved there as a trainee and joined it three years later as an employee. Suspended in July with 29 others as the management came down hard on agitating workers, he has now chosen to leave the company. "All the 30 suspended employees have resigned," says a spokesperson for the company, who requested not to be named.

With this, Fogat and his mates' careers with Maruti are not the only things petering out. The strike, into its third iteration this year, has lost steam. True, it shook up the country's automotive sector, made labour leader Sonu Gujjar's face a symbol of workers' angst, and turned Maruti's seven-and-a-half-minute samosa-toilet

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LET'S GO.

The leaders started losing the support of the workers

breaks into a subject of national debate. But now the strike is reduced to little more than a hard-nosed bargain as the management remains firm in its refusal to recognise any union other than the Maruti Udyog Kamgar Union, with which it has been working for years, and the striking workers look to make the most of a bad situation.

Hotel Chaupal in Gurgaon, a three-storey red sandstone and glass building on a dusty old road, where the inquiry into the suspensions was conducted in the last week of October, had rarely seen such custom. Six men from Group 4 Securitas and as many uniformed guards from Maruti held vigil, starting with a reconnaissance at 8.30 in the morning. The suspended workers spoke in hushed tones and would not share their mobile numbers, saying these would soon change. Perhaps they had already resigned themselves to their fate.

Not that they had many options. Fogat, for instance, is a married man with a brother in college and needs to repay loans taken to marry off his sisters. He knows that the employees dismissed during a strike 11 years ago at Maruti's Gurgaon factory are still fighting their case in the courts. Getting the Maruti Suzuki Employees Union recognised, a demand which was at the heart of the agitation, can wait; meals and loans come first. "We will be blacklisted across the industrial belt as troublemakers," says a suspended worker who did not want to be named. Little surprise then that the suspended workers opted for a final settlement, which is believed to be worth Rs 40 lakh for the two front line leaders, Gujjar and Shiv Kumar, and left the company.

Adds Rishi Pal, 27, a member of the unrecognised union's working committee: "The biggest weakness was us." Ram Kumar, a dismissed employee from the 2000 Gurgaon strike, still fighting his case in court, is angry. "They sold out. Today's boys don't have the willpower to fight," he says. To Anil Kumar, Gurgaon district head of All India Trade Union Congress, an affiliate of the Communist Party of India, this is the end of the movement. "It will be very difficult for a new leadership to emerge," he says.

Another of the suspended workers, also named Rishi Pal, says the leaders started losing support of the workers when the strike began a third time. "No one in Gurgaon supported us. In the fight to gain more influence among the workers of the belt, the two major trade unions fought among themselves," he says. The company's older plant in Gurgaon has older employees, who remained loyal to the management.

As things stand, the Maruti management seems to have had its way. The company spokesperson says the workers never brought the breaks into the negotiations. On an eight-hour shift, they get a 30-minute break for lunch and two seven-and-a-half-minute breaks for tea and snacks, and to visit the bathroom. This appeared to become a flashpoint midway through the strike, but died down later. According to the spokesperson, the practice is the same at Suzuki's plants in Japan. It is also a practice that has worked smoothly for 28 years at the Gurgaon plant, and for the last five in Manesar.

Still, the agitation is not entirely without impact. Earlier, for taking a day off, a worker would lose 25 per cent his monthly incentive pay for full attendance. So four days of illness a month would wipe out the entire incentive, which ranged from ₹2,500 to ₹8,800. He will now lose only 10 per cent.

Fogat, the two Rishi Pals and their 27 mates need not rack their brains over these calculations. ◆

SHEKHAR GHOSH

Inquiry venue: Outside Hotel Chaupal in Gurgaon

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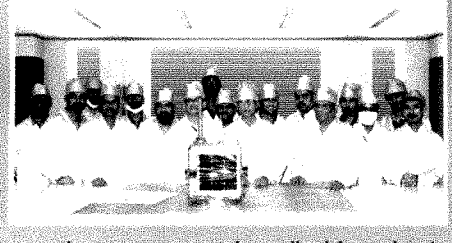

It was truly a moment of pride at SRM University when students from twelve departments unleashed their innovative talent to design and launch a nano-satellite called SRMSAT. The satellite was launched into orbit by ISRO's PSLV-C18 along with Mega-Tropiques satellite, an Indo-French mission.

SRMSAT is now at 865 km earth-orbit monitoring greenhouse gases, carbon-dioxide and water vapour in the tropics.

The SRMSAT weighs 10.9 kg including three solar panels and was built at a cost of Rs 1.5 crore. The students are keeping track of the satellite monitoring its performance through the ground station, they erected at the university. SRM is the first private university in the country to have launched a nano-satellite.

Besides SRM has created award winning green airplane designs at NASA, USA. This places the SRM University in the same league as Purdue University, Indiana University and Georgia Institute of Technology and Indian Institute of Technology, Kanpur.

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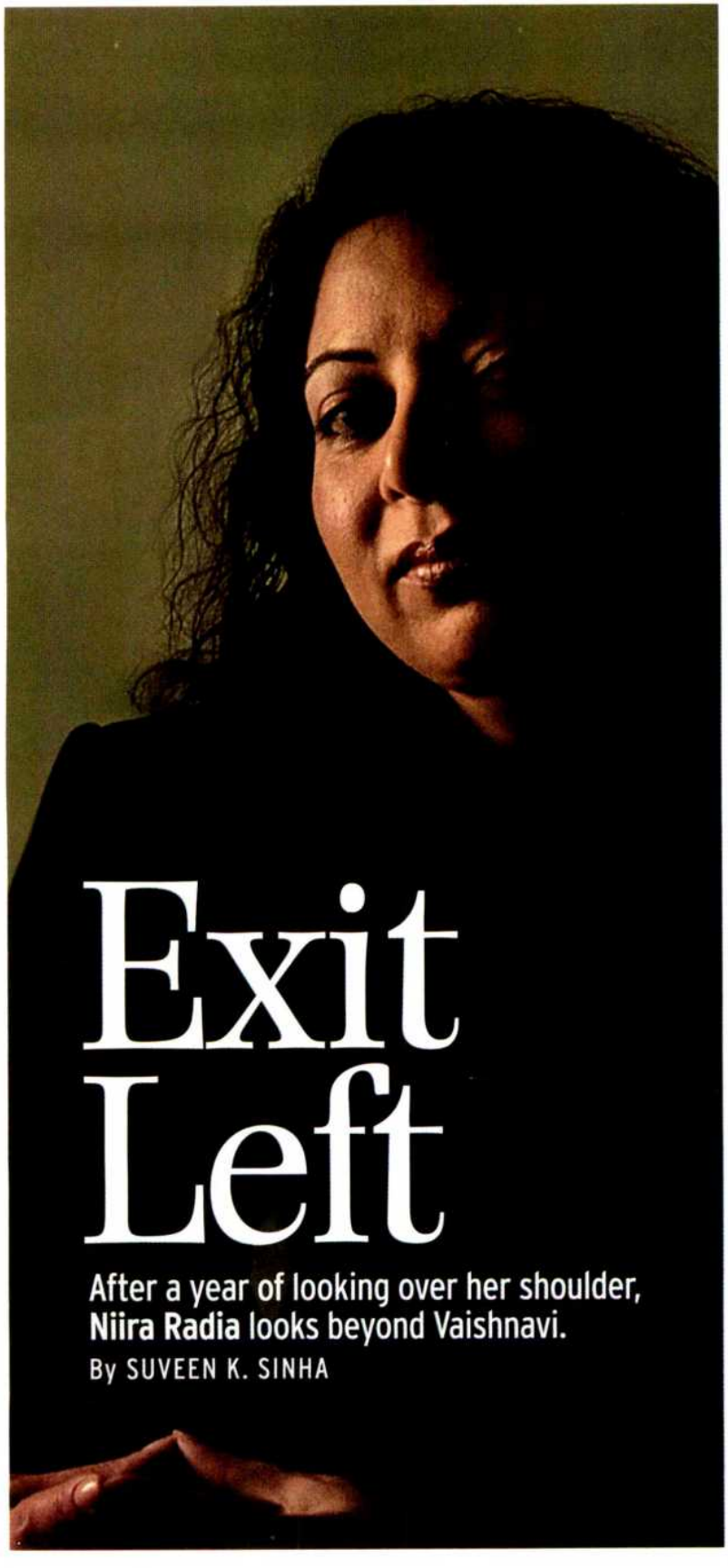

Exit Left

After a year of looking over her shoulder, Niira Radia looks beyond Vaishnavi.

By SUVEEN K. SINHA

In the normal course, no public relations agency would advise you to make a big announcement on the day India hosts its first Formula One race. The din of 95,000 people in 40,000 cars making their way to the Buddh International Circuit would drown out everything else. But this was hardly the normal course. Vaishnavi Corporate Communications, which had two of the most coveted clients in Tata Group and Reliance Industries, was announcing that it was shutting shop – lock, stock, NeUcom and Noesis. This was as good – or as bad – a day as any. More good than bad, since it wouldn't hurt if the announcement went unnoticed.

It was not. In these times of a scandal a week, Niira Radia's face on television that Sunday afternoon may have looked only slightly familiar to some, but the echo of the so-called Radia tapes is still too strong to be lost even in the roar of two dozen 700-hp engines. It was news all right. PR has become big business, and Vaishnavi was the big fish in the lobbying pond. It was also the most unique. "Unprecedented concept... unprecedented client," says Group CEO Vishal Mehta, a trusted aide to Radia, before pausing to add: "Unprecedented crises."

The first two came about when Ratan Tata, head of the eponymous group, and Radia decided to work together. The two had got to know each other in the 1990s, when the country's largest conglomerate was fighting to put its airline, a venture with Singapore International Airlines, or SIA, in the air. Radia, whose maiden name was Sharma, had moved base to India with her three young sons after her divorce from London-based financier Janak Radia, and was advising SIA.

As Tata said *ad nauseam* in the aftermath of the tapes, the group,

whose external communication was managed mostly by internal teams, saw a campaign against it by a coalition of rival companies and journalists. It had been at the receiving end of a controversy involving bribes to militants in Assam and had to sacrifice the airline at the altar of government policy, which would not – still does not – allow a foreign airline to hold equity in a domestic carrier.

Radia made two attempts of her own at starting an airline – Crown Express and Magic Air – but failed at both due to her British citizenship. Eventually, she started Vaishnavi on November 1, 2001, out of an off-white building in New Delhi's South Extension. Compared with the shiny new Mango outlet next door, the office was modest – Radia's shiny SUV parked in the porch its only shot at upmarket status. But nothing would take away from the lustre of its clients list. The list began with Indian Hotels, the Tata Group company which runs the Taj chain of hotels. When it signed an agreement with the Department of Culture for preservation of the Taj Mahal, Vaishnavi was roped in to foster the brand association. Soon, it was serving 14 companies of the group, and eventually 90.

> "...Till the recent past, I would fight back, survive and probably react. However, today, I want to give them their victory and let them savour it"
>
> **NIIRA RADIA**
> Corporate Lobbyist

Despite the 'bulk' deal, there was no discount. Each Tata company signed annual contracts with Vaishnavi, with big ones like Tata Teleservices paying ₹45 lakh a month. In comparison, a multinational telecom giant is known to pay about a third of that to its PR firm. "The billings that Vaishnavi declared were nowhere close to industry standard; you do not make that kind of money in PR," says the head of a rival firm who, like many others speaking on the subject, does not want to be named. The companies that required more interface with policy makers, the media and public, may have paid more. Tata Steel, which fought a prolonged battle to acquire Corus in 2007, and Tata

Motors, which had a bruising time in its failed attempt to set up a factory in Singur, West Bengal, readily come to mind.

These were annual contracts, but renewed every year without any competitive bids being called. Later on, non-Tata clients came: ITC Foods, Hindustan Construction Company, Punj Lloyd, Ascendas, Haldia Petrochemicals, JK Tyre, the Confederation of Indian Industry, and Bennett, Coleman & Co. And then came the big one, Reliance Industries, for which a new subsidiary, NeUcom Consulting, was set up to serve just the one client. Alongside, Noesis Strategic Consulting was set up with Pradip Baijal, recently retired as the Chairman of the Telecom Regulatory Authority of India, as partner to provide business advisory services.

But none of the other clients compared with the Tatas. The group's relationship with Vaishnavi grew ever closer, so much so that in many cases the PR firm took the shape of the client. Its professionals not only organised interactions with Tata executives, they also spoke for the Tata companies. So, if you went to Singur when it was burning in farmers' protests against the Tata factory, you met Vaishnavi's personnel on the ground. "For 15 days, we lived on *khichri* for breakfast, lunch and dinner," recalls a senior Vaishnavi executive. Living on spartan *khichri*, a porridge of rice and lentils, is meant to show the extent to which Vaishnavi was willing to forgo the worldly pleasures in the service of the client.

The same dedication and proximity eventually undid Vaishnavi as the phone-tapping tapes showed Radia going beyond the purported brief of a "communications consultant" to try and influence a ministerial appointment. Even as Tata defended Radia, a small but influential group of his executives started informal discussions with outside parties to assess the damage caused to the Tata brand and to the image of Ratan Tata, and figure out the way ahead in managing media relations. Vaishnavi and its people knew nothing about this exercise.

When the end came on October 30, it was short and swift, though "shock" is the word some junior Vaishnavi employees u: them came to know ab Radia's internal email ci same day, in which sl Gautama Buddha's phi renunciation. "The last ye a great experience and have continued living i manner, always looking back (sic), second guess the next attack coming. not a life I want to lead! . cent past, I would fight b and probably react. How want to give them their let them savour it," the e

Even some of her se tives were not prepared recovered quickly. The r aided by the fact that 30 cluding CEO Mehta, a Reliance Industries. The led by NeUcom head Ma to help everyone find jobs easy to find 110 open p "client servicing professi night. Some junior staff s been left to fend for them

Tata has not taken one person who joined month before closure. Ir chosen Rediffusion, l Nanda, to handle its pub Rediff, in turn, has forme with Edelman India, pas PR firms owned by WPP, 26.7 per cent of its equi see any negative impact tapes on the Indian pul industry," says Robert Hc heads India operations f

Amid all this, the sh 2G case, whose hearing November 11, looms l has not been arrested, r She is merely Witness N CBI, which is relying on to get its convictions. Ir the Radia tapes have ha rial impact on the Vaishnavi's closure hav

ADDITIONAL REP KUSHAN MITRA AND SU

AP PHOTO

Burning issue: A scene of protest in Singur, West Bengal

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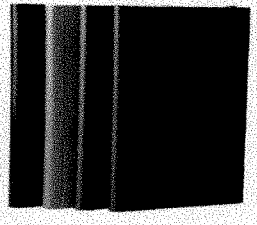

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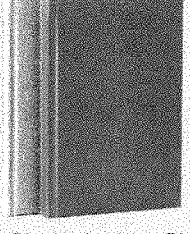

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INDIA TODAY

India's Best Banks 2011

Even as we raise a toast to the winners of the BT-KPMG Best Banks Survey of 2011, we need to take note of the many challenges that lie ahead.

By ANAND ADHIKARI

PLUS

62
Steady Runner
Bank of Baroda emerges as India's best large bank, led by a stable show across all parameters

68
The Corporate Bank
Romesh Sobti transforms IndusInd Bank into a winner

72
Banking on the Best
The best banks, across categories and key parameters

The Winners

BEST LARGE BANK
Bank of Baroda

BEST MID-SIZED BANK
IndusInd Bank

BEST SMALL BANK
JPMorgan Chase

MOST CONSISTENT LARGE BANK
Axis Bank

GROWTH, QUALITY OF ASSETS (LARGE BANKS)
YES Bank

PRODUCTIVITY & EFFICIENCY (LARGE BANKS)
IDBI Bank

GROWTH (MID-SIZED BANKS)
Dhanlaxmi Bank

QUALITY OF ASSETS (MID-SIZED BANKS)
Karur Vysya Bank

PRODUCTIVITY & EFFICIENCY (MID-SIZED BANKS)
City Union Bank

PRODUCTIVITY & EFFICIENCY (SMALL BANKS)
JPMorgan Chase

GROWTH, QUALITY OF ASSETS (SMALL BANKS)
Mizuho Corporate Bank

QUALITY OF ASSETS (SMALL BANKS)
Bank of America

Downgrade! Downgrade! Like a flu spreading like wildfire from the US to Europe to Asia, the 'D' word is sending shivers down the spines of pinstriped bankers around the world. In just over a month, the big three global ratings agencies have set the alarm bells ringing. Standard & Poor's, or S&P, lowered the ratings of close to a dozen Spanish financial institutions, including the country's two biggest banks – Banco Santander and Banco Bilbao Vizcaya Argentaria. Moody's painted Russia's banking system with a negative bias from stable, and also downgraded Bank of America's long-term rating by two notches. And Fitch Ratings declared a negative outlook on Italy's five largest banks.

In fact, even France-based BNP Paribas, the world's largest bank in term of assets at $2.72 trillion, joined the downgrade bash this October when S&P cut its rating by a notch. The threat of downgrade is also looming large over marquee names such as Morgan Stanley, Goldman Sachs and JPMorgan.

After the subprime lending fiasco, banks find themselves in another quagmire – the euro debt crisis and slowdown in credit demand. Only Chinese banks are sitting pretty – ICBC and China Construction Bank are today the world's largest in terms of market cap – though Hong Kong banks with high exposure to the mainland are looking more vulnerable.

In India, the country's largest bank, State Bank of India, or SBI, came under Moody's scanner, which downgraded its perpetual bond ratings by a notch. The downgrade indicates that India's banking sector is not in the best of health. There are growing concerns on deteriorating asset quality, capital challenges and issues such as financial inclusion as 50 per cent of the Indian population has no banking access.

Let's take the capital challenges first. There is an estimate that Indian banks will require more than ₹10 trillion (one trillion equals 100,000 crore) over the next 10 years to fund growth requirements. That's a tall order.

78
The Last Frontier
Banks are discovering that serving rural and semi-urban customers, which started out as a regulatory requirement, is good business

84
In Default Mode
The increase in non-performing assets, or NPAs, is bad news for bankers

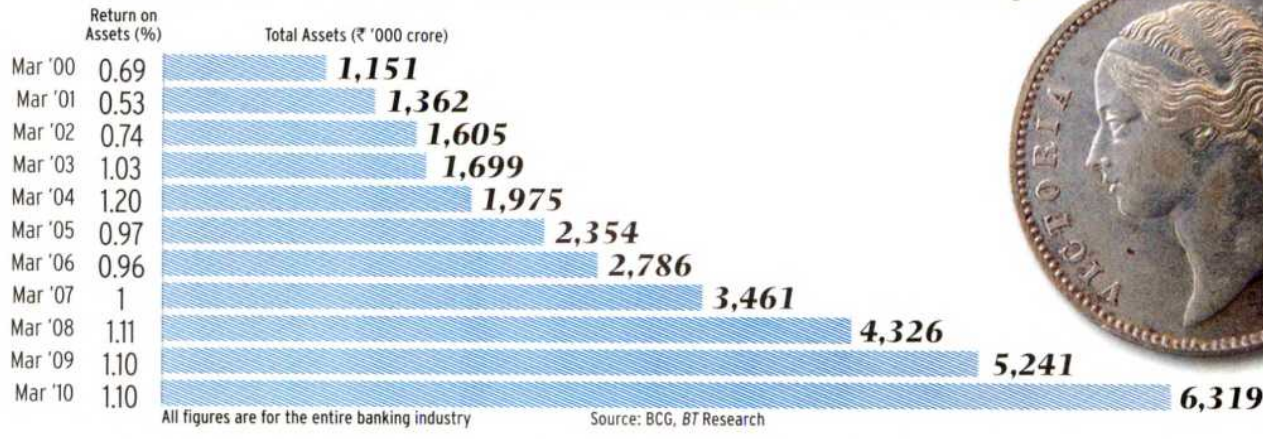
90 Time for Change

98 Rankings & Methodology

108 Chindia Banking Play

Asset-Return Mismatch

While total assets have multiplied almost six-fold in a decade, returns have not been as good



All figures are for the entire banking industry Source: BCG, *BT* Research

especially for public sector banks – which control 75 per cent of the Indian banking system – where the government is a reluctant partner when it comes to pumping in capital. In an interview with *BT* a few hours after announcing the 13th interest rate hike in the past one and a half years, Reserve Bank of India, or RBI, Governor D. Subbarao said that India, being a rapidly transforming economy, will require more credit than it did in the past. "The capital requirements of banks are going to be more than we would project from previous history," he said.

The government is also mulling a holding structure for PSU banks – that saves them from diluting its stake – for allowing them to raise capital. On the asset quality front, non-performing assets, or NPAs, are creating a headache with gross NPA figures closing in on ₹1 trillion (see *In Default Mode*, page 84). In this challenging environment, banks have to make efficient use of capital, write good quality assets, reward shareholders, and play an integral role in India's economic development.

It is in this context that the 2011 edition of the *Business Today*-KPMG Best Banks study was conducted. And not surprisingly, the study has thrown up some, um, surprises.

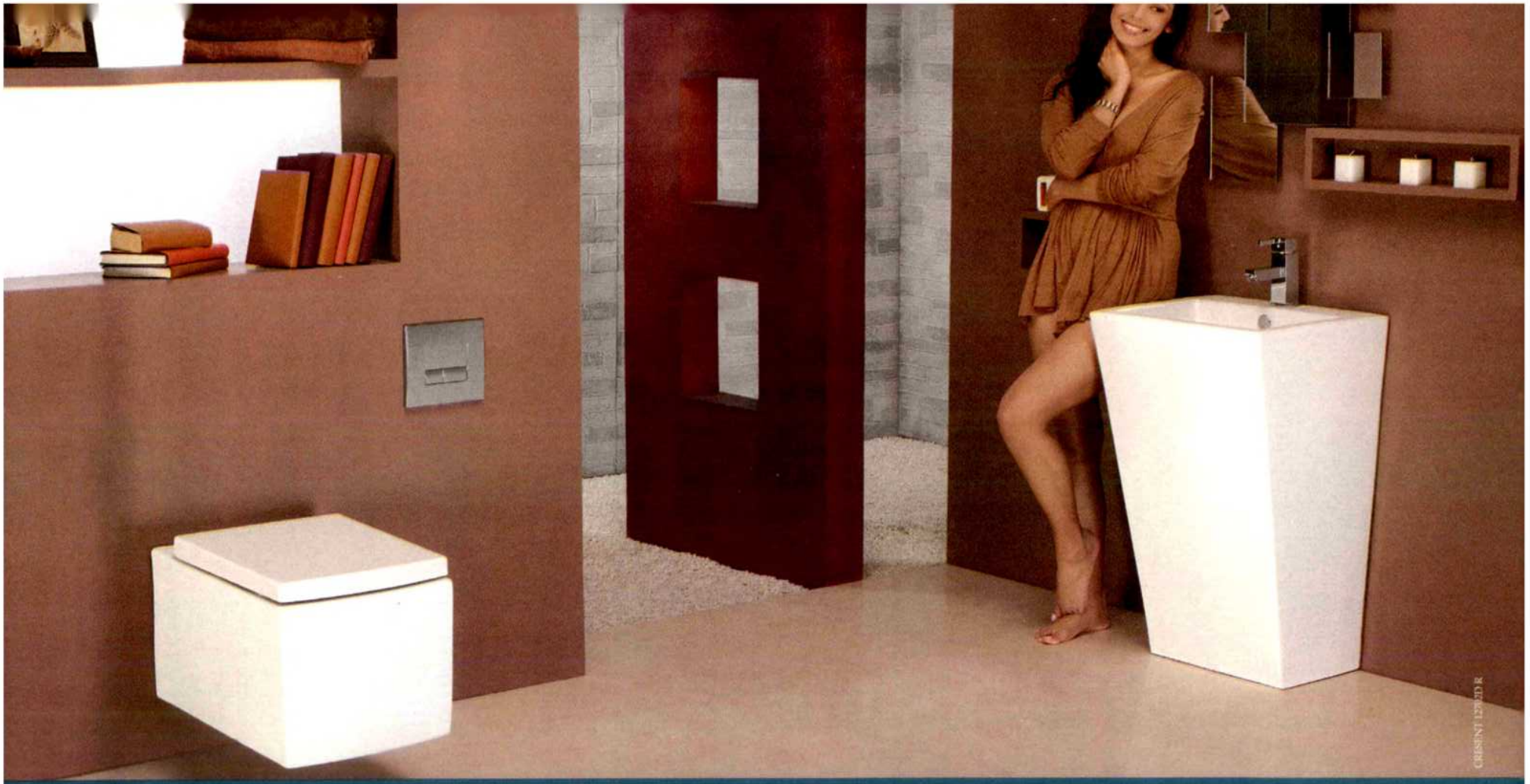
Private sector major HDFC Bank was the undisputed leader in the BT-KPMG study from 2003 to 2008, but when it pounced on Centurion Bank to acquire size, it lost out on many performance parameters and the top slot. A public sector bank – Bank of India – rose to the top in 2009 when the global financial meltdown affected many a bank in the country. A year later, Axis Bank came out tops.

This year, the country's fifth largest bank, Bank of Baroda, has galloped like a dark horse to the peak. The bank's rise is made unique by the fact that it did not top in any of the 27 parameters in its group, yet emerged overall winner (see *Steady Runner*, page 62).

"The aspiration is not just size. It is a robust, innovative banking system..."

Chanda Kochhar, *Managing Director & CEO, ICICI Bank*

Another surprise winner is the Hindujas-owned IndusInd Bank in the mid-sized category (see *The Corporate Bank*, page 68). IndusInd's rise to the top is a shot in the arm for corporate houses eyeing the fast-growing banking sector, including the Tatas, Reliance, Birla and Mahindra. Romesh Sobti, Managing Director and CEO of IndusInd Bank, says: "A country's GDP funnels through the banking



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Reshuffle at the Top

A look at previous winners and why they fell from the top spot

Citibank
WINNER: 1997
CURRENT RANK: 27th
REASONS:
Global trouble; deteriorating asset quality

Corporation Bank
WINNER: 1999
CURRENT RANK: 9th
REASONS:
Pressure on capital; lower NPA provisioning

HDFC Bank
WINNER: 2002/03, 2004/05, 2005/06, 2006/07 & 2007/08
CURRENT RANK: 2nd
REASON:
Centurion Bank merger affected its performance

Bank of India
WINNER: 2008/09
CURRENT RANK: 24th
REASONS:
Deteriorating asset quality; falling deposits and advances

Axis Bank
WINNER: 2009/10
CURRENT RANK: 3rd
REASONS:
Growing size and consequent increase in costs; pressure on capital and asset quality

system. India's growth story will require many more banks to meet its credit needs."

Chanda Kochhar, Managing Director & CEO of ICICI Bank, says India's economic fundamentals should enable it to average eight per cent real GDP growth over the next several years. To support this, bank credit would need to grow by about 2.5 times, or 20 per cent, annually. This means the current non-food credit of about ₹40 trillion will grow to about ₹200 trillion by 2020. "This is the kind of scale we have to be ready for if banks are to play the role they need to play in this growing economy," she says. "I believe these are conservative estimates; we are basing this projection on India's growth in absolute terms as well as relative to other markets."

It is no secret that there is ample growth potential. Even as many argue that metros and urban centres are saturated, there is a strong view that both will remain twin tracks of future growth. Today, more and more customers in urban and metro markets are moving toward Internet banking, ATMs and mobile banking. "This self-directed population is growing faster than the normal channel," says Rajiv Sabharwal, Executive Director at ICICI Bank. But the bigger market would undoubtedly be the hinterland or the unbanked areas, where the competition is already building up (see *The Last Frontier*, page 78).

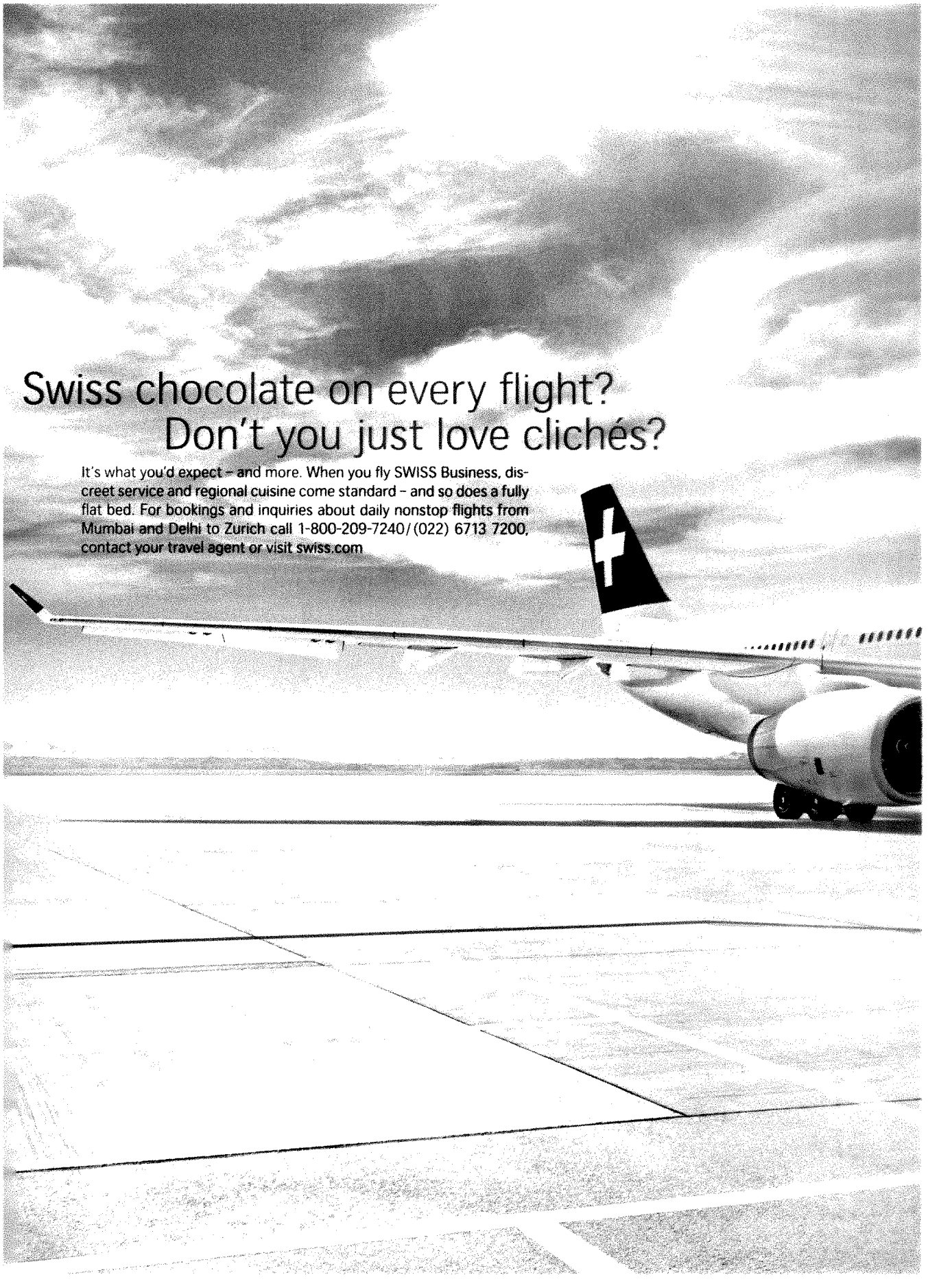
Does that mean India's banks will also have to bulk up? "Size and scale are important, but we should not forget that Indian banking has done remarkably well despite difficult global conditions," says M.D. Mallya, Chairman of Bank of Baroda. In fact, when it comes to transactions, SBI claims to be the biggest bank in the world. "We have 250 million accounts and about 170 million customers," says SBI's Managing Director A. Krishna Kumar. "We have about 40-45 million transactions daily. The peak was 52 million in March this year." But these transaction values, when converted into dollars, remain insignificant.

But at a time when central bankers and governments around the world are striving to ensure that banks don't become too big to fail, size is certainly going to take a back seat. "The aspiration is not just size," says ICICI Bank's Kochhar. "It is a robust, innovative banking system that effectively meets the growth needs of all segments of the Indian economy."

Ergo, size should be seen together with growth, productivity, efficiency, quality of earnings and capital adequacy. How well Indian banks are doing on this front is what the BT-KPMG study captures every year. ◆

"We have about 40-45 million transactions daily. The peak was 52 million in March"

A. Krishna Kumar, *Managing Director, State Bank of India*



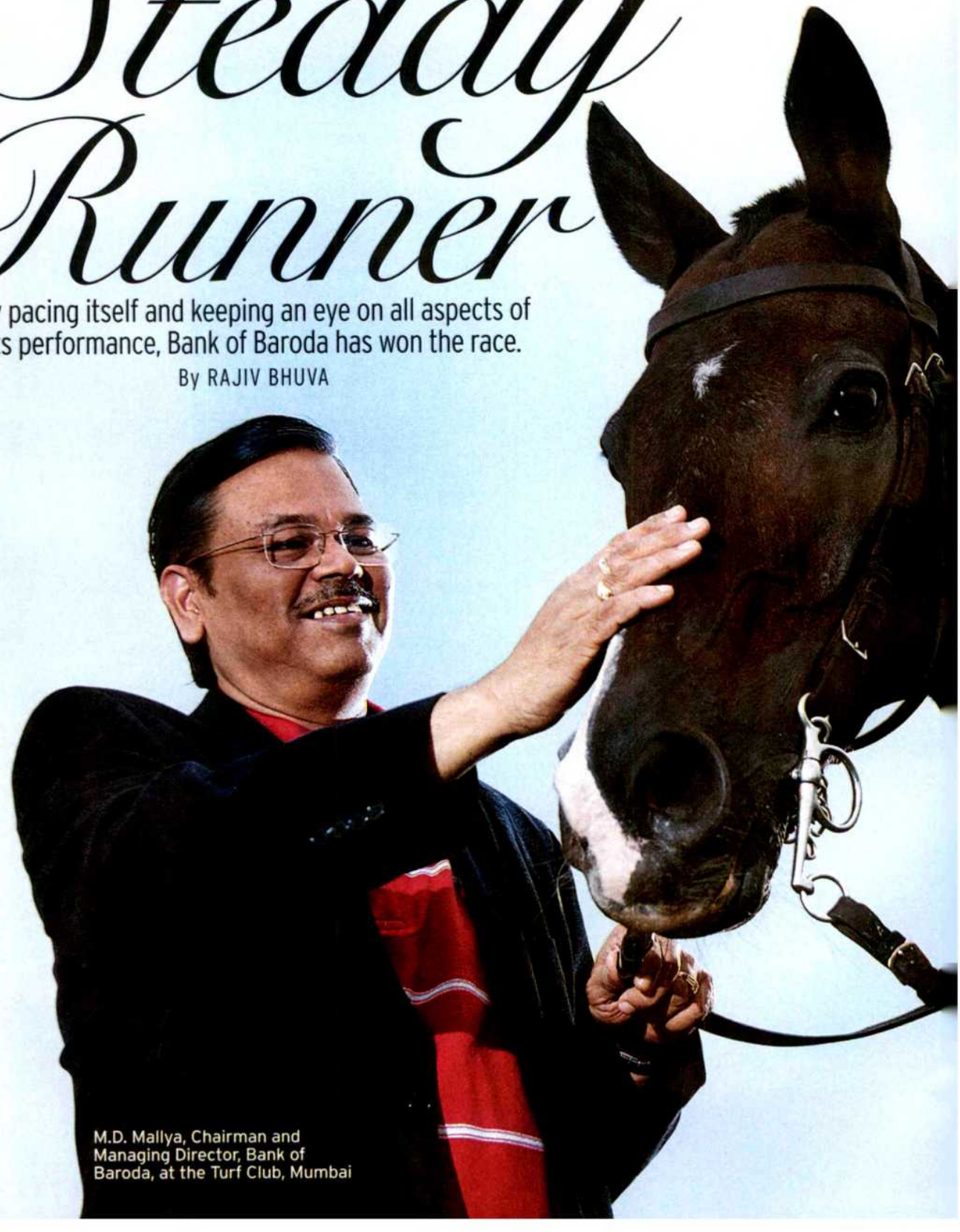
R ALLIANCE MEMBER

Our sign is a promise. SWISS

Steady Runner

By pacing itself and keeping an eye on all aspects of its performance, Bank of Baroda has won the race.

By RAJIV BHUVA



RACHIT GOSWAMI/www.indiatodayimages.com

M.D. Mallya, Chairman and Managing Director, Bank of Baroda, at the Turf Club, Mumbai

Winning Strategies

Back office functions moved to hub, so branch staff can spend time with customers

Emphasis on improving quality of credit portfolio

Return on equity doubled over the past five years

Good operational efficiency, second highest return on capital employed

Higher provisioning than peers for non-performing assets

Strong presence in industrially progressive states such as Gujarat and Maharashtra

Integrated human resources programme for succession planning, experience and drive

The marathon and the sprint both involve running. But the endurance and discipline of a marathoner are very different from those of a sprinter. Marathoners prepare for a run that is a mental and physical endurance test, while sprinters train to give it their all in a brief, intense effort.

Bank of Baroda is definitely a marathoner. Its endurance strategies and disciplined operations have helped it bag the top spot in the 2011 *Business Today*-KPMG survey of the best banks, up from number four last year. "We have started reaping the fruits of initiatives taken in the last few years," says 59-year-old M.D. Mallya, Bank of Baroda's Chairman and Managing Director, who took charge in May 2008.

The bank's use of manufacturing terminology such as 'factory' and 'sales and service' reflects its off-centre approach. The bank has 42 'loan factories' – hubs where loans are sanctioned – each for retail and small and medium enterprises' lending, across the country. Mallya says the factories helped the bank not only strengthen its credit portfolio, but also improve its quality. "People with the right skills under one roof help the bank make better decisions," he says. He emphasises that growth alone is not enough; the quality of growth is equally important.

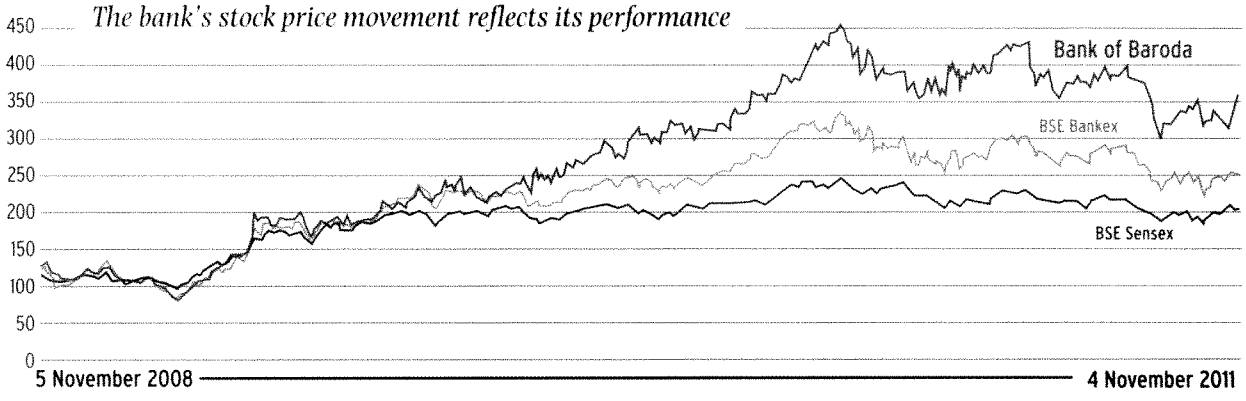
For nearly two years, Bank of Baroda has also been working to transform the way business is done in its branches, through a business process re-engineering project called Navnirmaan. "The aim is to transform our branches into sales and service centres," says Mallya. Other major aims, he adds, are to spur sales growth through cross-selling (selling additional products to current clients) and deliver a "superior customer experience". So far, more than 600 of the 1,212 metro and urban branches identified have been rebranded as 'Baroda Next'. All their back office functions have been centralised in a hub, leaving the staff with more time to spend with customers.

But industrial terminology aside, a bank cannot chalk out targets for itself and its employees in quite the same way as a manufacturing company, since the macro environment affects how business grows from quarter to quarter. The *BT*-KPMG study ranked Bank of Baroda fifth on annual growth of total deposits, seventh on loans and advances, and twenty-sixth in terms of fee income. Mallya acknowledges this, but says his focus is clear: "Between the profit and loss account and the balance sheet, the latter is paramount."

Bank of Baroda beats its peers on operational efficiency. It was ranked ninth on cost-to-income ratio and operating profit per employee, and has the second highest return on capital employed. "We expect our people to contribute to profitability, and not growth in depos-

The Outperformer

The bank's stock price movement reflects its performance



Adjusted to a base of 100 Source: Centre for Monitoring Indian Economy

its and advances," says Mallya. Equally importantly is the bank's focus on the quality of credit. It has a low non-performing asset, or NPA, growth ratio, and ranks third on this parameter. It is ranked eighth for high NPA coverage, and sixth for its low ratio of net NPAs to net advances.

At a time when its peers, especially big public sector banks, are struggling with mounting NPA pressures, Bank of Baroda has been reporting lower slippages (loan accounts that turn into NPAs), leading to lower provisioning. It has moved to system-based NPA recognition, which means it will have no slippages from small agricultural loans, something that Abhijit Majumder, Banking Analyst at BNP Paribas Securities Asia, says will plague most of its peers. The bank's restructured loans stood at 4.6 per cent of total loans in September 2011, slightly below the average 4.8 per cent of its peers. The *BT*-KPMG study indicates that its higher NPA coverage – 74.91 per cent at the end of March 2011, and 81.97 per cent (with technical write-offs) in September 2011 – helps insulate profitability. The stock price suggests that the market is paying attention (see *The Outperformer*).

"Bank of Baroda has consistently shown a healthy operating performance and has managed to improve return ratios across interest rate scenarios," Majumder says in a report released in mid-October. "It deserves to trade at a premium to peers, who have shown less discipline while vying for growth and, as a result, are suffering from asset quality issues."

Bank of Baroda has doubled its return on equity over the past five years, which is the key driving force behind the outperformance, according to Rajat Rajgarhia, Director, Research, at Motilal Oswal Securities. "While its current margins are at a five-year high, its ability to maintain strong asset quality when the economic environment worsened locally and globally in the last three years helped it get a premium many times higher than its peers."

Mallya says he is happy that Bank of Baroda's market share in deposits and advances rose 65 basis points (100 basis points equal one percentage point) from 3.5 per cent in 2008 to 4.15 per cent in 2011. And the bank now plans to take the share up to five per cent in the next three years, for which its top line and bottom line would have to grow 25 to 30 per cent. "Not beyond that," says Mallya. "We need to digest the growth and also ensure that it is qualitative."

Given 12.73 per cent capital adequacy (as of September 2011) and 8.82 per cent Tier 1 capital, Bank of Baroda has headroom to raise ₹13,000 crore. According to the KPMG study, the bank ranked tenth on capital adequacy, which was 14.52 per cent for the year that ended in March 2011. On Tier 1 capital adequacy, it ranked 11th, with 9.99 per cent. With a three-year compound annual growth target of 25 per cent, Mallya says the bank is not constrained by capital. This is remarkable for a public sector bank in the current economy, where its principal shareholder – the government – is running a large fiscal deficit and could find it difficult to infuse additional equity

ur dreams are not yours alone

यूनियन बैंक ऑफ इंडिया Union Bank of India

Not the best...

...yet the best. Bank of Baroda is not among the top five on any key parameter, but has done fairly well on all

Operating Profit Growth (%)

United Bank of India	*72.06*
UCO Bank	*58*
Indian Overseas Bank	*55.08*
IDBI Bank	*52.5*
Syndicate Bank	*46.76*
Bank of Baroda (Rank 7)	*41.46*

3-year CAGR of Fee Income (%)

IDBI Bank	*54.99*
Allahabad Bank	*39.17*
Axis Bank	*38.93*
PNB	*29.5*
YES Bank	*29.09*
Bank of Baroda (Rank 15)	*14.04*

NPA Coverage

J&K Bank	*89.74*
YES Bank	*88.63*
Standard Chartered	*88.51*
Federal Bank	*83.39*
HDFC Bank	*82.51*
Bank of Baroda (Rank 8)	*74.91*

Operating Profit/ Employee (₹cr)

CitiBank	*0.62*
Standard Chartered	*0.5*
HSBC	*0.46*
YES Bank	*0.3*
IDBI Bank	*0.3*
Bank of Baroda (Rank 9)	*0.18*

capital in banks for at least another two years.

With 86 offices in 25 countries as of September 2011, Bank of Baroda's international business has a 25.7 per cent share of total business (up from 22.5 per cent in March 2005), and is turning out to be a strong pillar for the bank. Mallya says international business is predominantly related to India and Indian trade. Buyer's credit accounts for 25 per cent, trade finance 15 per cent, syndicated loans to Indian corporates 30 per cent, and acquisition financing 10 per cent (local assets account for only 20 per cent of all international business). However, international business contributes 19.4 per cent of gross profit and 35.5 per cent of core fee income. "We only do business that we understand well," says Mallya, highlighting that gross non-performing assets from international business are just 0.62 per cent.

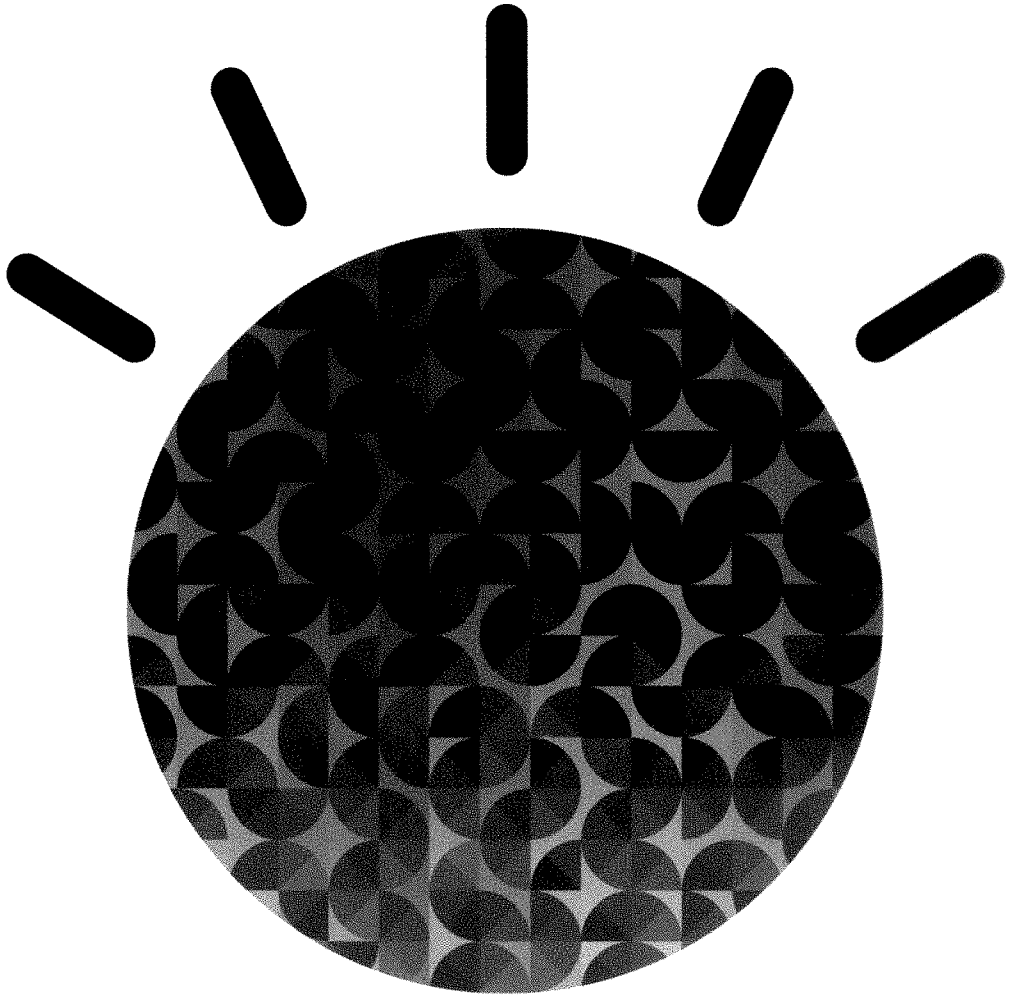
On the domestic front, the bank's larger presence in industrially progressive states – for example, Gujarat and Maharashtra account for more than 34 per cent of its branch network – has helped it achieve relatively strong business growth despite a slowdown in some sectors over the past few quarters. These states are also a rich source of low-cost CASA (current account, savings account) deposits, which raise branch and employee productivity.

The bank's productivity mantra, though, is Navnirmaan, which Mallya says will redefine banking, and increase the emphasis on cross-selling. With its subsidiaries – IndiaFirst Life Insurance and Baroda Pioneer Mutual Fund – Mallya's dream is to ensure that every financial need of Bank of Baroda customers can be met within the bank. "Our aim is to leverage our branch network better, to increase fee income," says Mallya.

And to do that better, the bank has an integrated human resources programme spanning recruitment, retention, incentives, training and succession planning. Such words were not bandied about in public sector enterprises a decade ago. Inconsistent recruitment is a common weakness of public sector banks, but Bank of Baroda has been on the ball, hiring every year. In the current financial year (ending March 2012), it plans to recruit 4,000 employees. "That helps with succession planning," says Mallya.

At 48 to 49 years on average, his bank's employees are four years younger than the typical public sector bank employee. The resulting mix of experience, prudence, drive and capability gives Bank of Baroda the edge on productivity. The bank's 1,500 senior executives will attend a leadership development programme during this financial year. The new Baroda-Manipal School of Banking will churn out 180 to 200 employees for the bank every quarter. It currently has 700 candidates enrolled in a one-year course, and a fresh one will start every quarter.

Even though Bank of Baroda has not topped on any parameter, it has breasted the tape because of all-round consistent performance. The competition next year could be stiffer, with newcomers giving older competitors a run for their money. ◆



Smarter customers demand smarter commerce.

We're making progress in how we buy and sell. Yet most sales, marketing, customer service, product development, services delivery and inventory systems are as disconnected as supply chains were a quarter century ago. Retail doesn't have a real-time view into inventory. Product development isn't led by customer sentiment.

Today, it's customers who are deciding when and where the buying process begins, when it ends, who will be part of that process, what order it will follow, and how all elements in the chain – market, buy, sell and service – will be linked.

Smarter commerce optimises supply with demand, driven by insights that are continuously replenished by the flow of information on an instrumented and interconnected planet. Each individual's data is the key to connecting the value chain to the customer – helping businesses to understand and predict customer needs and to orchestrate partners and suppliers in greater responsiveness to changes in buying behaviour.

The opportunity is enormous. According to a recent IBM Institute for Business Value survey, more than $15 trillion in inefficiencies comes from waste throughout the global commerce system, such as inventory backlogs and failed product launches.

The good news is that a large hardware cooperative is using smarter commerce for its entire supplier network – contributing to a 57% reduction in lead time and an 85% reduction in back orders. An international cosmetics company is relying on deep analytics to deliver personalised offers of its beauty products – revenue per e-mail increased 2,500%. A specialty retailer is using multichannel selling that has increased traffic to their site by 40% and growth of their business overall by 20%.

Given the rise of new generations of empowered and digitally literate customers, it's clear that the world's commercial systems have to become as smart as the individuals who are now driving them. Fortunately, they can – and in the process, will redefine how we buy, market and sell on a smarter planet.

Let's build a smarter planet.
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The Corporate Bank

IndusInd Bank's Romesh Sobti and his team transform a staid bank into a winner.

By ANAND ADHIKARI

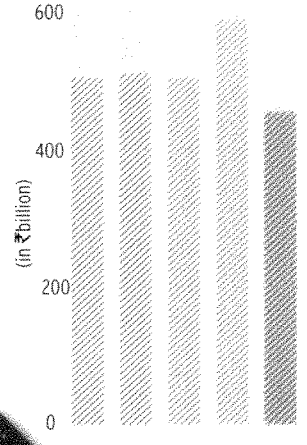
Change Agents: (From left) Suhail Chander, Head – Corporate and Commercial Banking, IndusInd Bank; Kalpathi Sridhar, Chief Risk Officer; Romesh Sobti, Managing Director and CEO; Sumant Kathpalia, Head – Consumer Banking; Paul Abraham, Chief Operating Officer

ISHIKANT GAMRE

Eye to Eye

How IndusInd stacks up against its closest rivals

Balance Sheet Size



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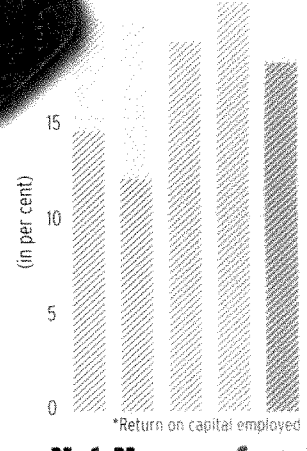
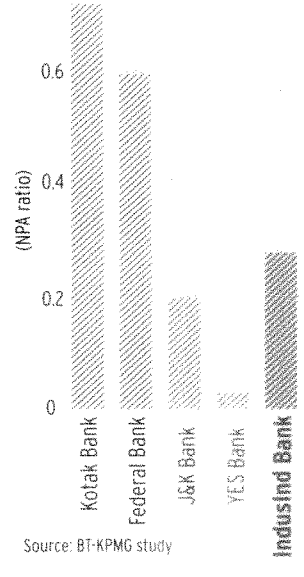


Net Non-performing Assets



Source: BT-KPMG study

Early in 2008, as he drove past the Ballurpur Road branch of IndusInd Bank in Dehradun, Romesh Sobti was aghast to see its signage only partially lit. The ground floor branch in a buzzing market area was only partly visible at night. The new generation private bank was missing out on potential business in a hill station frequented by foreigners.

It rankled Sobti. He had quit ABN AMRO as its India head a month earlier and was about to join IndusInd Bank. Next morning, Sobti, then 61, landed at the branch. The staff, which knew the 'foreign' banker joining IndusInd Bank was in town, was ready with a garland and a traditional welcome. What the middle-aged branch manager was not prepared for was the blunt approach of his Managing Director-to-be. "What time do you go home?" Sobti asked. "Half of your branch's signboard has no light." The message was clear: the manager was expected to take a CEO-like ownership of his branch, looking into everything, from basic matters like branch hygiene to making it profitable.

In the three-and-half years that he has been in charge at IndusInd Bank, Sobti has driven this culture home with a trip hammer. And it shows in the results. In the BT-KPMG Best Bank Study 2011, the 17-year-old bank has emerged the overall winner in the mid-sized category of lenders with a balance sheet size of less than ₹50,000 crore. The turnaround and productivity improvement at IndusInd Bank since he joined, "is the result of performance culture", says Sobti, who earlier rose to the top position at ABN AMRO India in about 18 years.

The Hindujas-owned lender – the London-based non-resident Indian family owns 20 per cent of IndusInd Bank – is probably the first bank from a corporate background to reach the top slot. It is a shot in the arm for the corporate groups planning to apply for banking licences when the Reserve Bank of India allows new banks to set up shop.

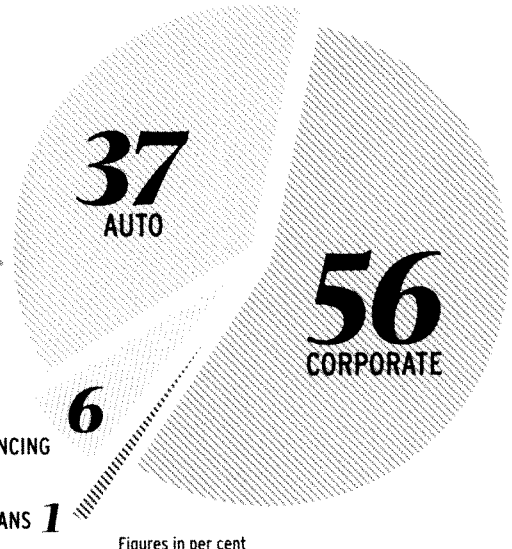
Sobti has followed a brick-by-brick approach to smartly expand the IndusInd Bank portfolio. He plugged the biggest product gap at the bank – home loans – by tying up with housing major Housing Development Finance Corp Ltd, or HDFC. It did not make sense to create a home loan product, he insists. The pricing on such loans, or the interest charged by a bank from a borrower, is the lowest in the consumer assets food chain of car loans, personal loans and credit cards. "Home loans are fully secured and have the lowest yield compared to other consumer loans," he says. Capital linkages – you have to provide for an average ₹9 as capital for every ₹100 extended as a home loan – and a higher cost-to-income ratio of around 40 per cent add up to making home loans unattractive for small banks such as IndusInd. "When the big player does it more efficiently, why should I replicate it? I would rather market his product and earn a fee," says Sobti.

The bank under Sobti has been methodical in thinking out of the box. "What differentiates us from others is innovation," says Sumant Kathpalia, Head, Consumer Banking. An option offered to customers on its ATMs, short for automated teller machines, enabling them to withdraw notes in denominations of their choice, was an idea suggested by a marketing team member at a brainstorming meeting. ATMs, until then, would give ₹1,000, ₹500 or ₹100 notes with no choice for the customer. IndusInd Bank made a small technology fix to its ATMs seven months ago and now its 600-and-more ATMs offer half a dozen denomination combinations. About

To read Romesh Sobti's interview log on to www.businesstoday.in/indusind-sobti

Uneasy Ride

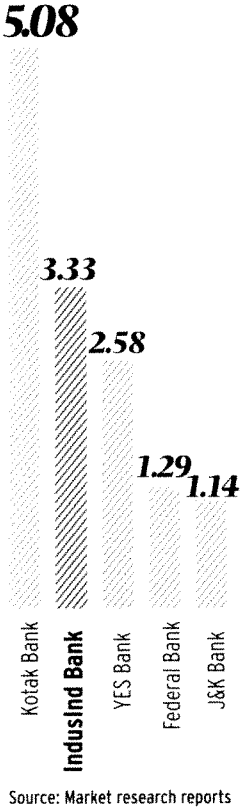
Share of auto loans in total loan portfolio is very high



Figures in per cent
Auto includes commercial vehicles, cars, and two- and three-wheelers. Data as on March 2011;
Source: IndusInd Bank

Stock Market Favourite

IndusInd Bank enjoys a high market price to book value ratio, second only to Kotak Mahindra



Source: Market research reports

half the traffic at IndusInd ATMs, says Sobti, is of customers of other banks who specifically come in to use this option.

In another unique feature, the bank prints images of cheques issued by a customer on the reverse side of monthly bank statements. As for business operations, Sobti encourages his senior managers to adopt particular states. So, Chief Operating Officer Paul Abraham has taken ownership of the business in Kerala. "That's the way of keeping a finger on the pulse of the bank," says Sobti. Innovations such as these have gone into building the bank's business, earning the attention of the investor community. (See *Stock Market Favourite.*)

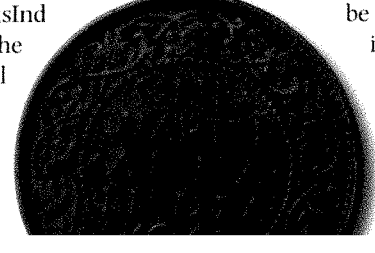
Sobti has focused equally on effective communication. "When you create change, it has to be absorbed by the entire organisation." Three years ago, this golf enthusiast and his team coined the 3-3-3 slogan. Translated, it meant in three years, the bank would grow three key performance parameters – return on assets, return on equity and net interest margin, or NIM, – three times. The new slogan now is 3-2-1: the bank will be No. 1 in return on assets, return on equity, and NIM; will double its profits, customers and branches – all in three years.

In other words, IndusInd Bank is seeking scale, the key lever for which will be its 300-odd branches. The branch strategy is not a mindless expansion. "We want to create density in select 20 to 25 cities," says Kathpalia, the consumer banking head. The game plan is to increase the low-cost current and savings account, or CASA, deposits from 27 per cent to over 35 per cent within three years. That will be a modest increase compared to lenders such as HDFC, which has a CASA of over 50 per cent. A good base of CASA – unlike raising high interest fixed deposits – helps in building a high margin business.

The strategy on assets is to grow the loan book between 25 and 30 per cent every year, but IndusInd Bank also plans to increase branches, customers and fee income manifold. "We are following a universal banking approach," says Sobti. On the consumer banking side, the bank is gradually diversifying a portfolio that is skewed towards auto loans of all types. (See *Uneasy Ride.*) No bank, barring HDFC Bank, has managed to outstrip the kind of network IndusInd has built in vehicle financing. "We have the domain expertise and the business is profitable," says S.V. Parthasarthy, Head, Vehicle Finance.

Like that of all other mid-sized banks, the future of IndusInd Bank too is pivoted around its senior management team. As a September research report by IFCI Financial Services points out: "The execution risk would arise if the bank observes significant attrition at the senior management level." For Mumbai-based independent financial advisor Pankaj Namdharni, the concerns lie "in the rising cost of funds, cost of operations due to expansion and non-performing assets".

Sobti, who earlier this year got an extension for three years, knows there are risks, but the journey is one of steady growth. At the end of his interview with BT, the IndusInd Bank CEO is already focusing on the next big thing on his calendar: his 4 pm webcast to his 8,000 plus employees, a quarterly engagement he keeps without fail. Motivated troops, he knows, will be the biggest differentiator in the race to his next goal: a balance sheet size of ₹1,00,000 crore. ◆



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Banking on the Best

The best banks, across categories and key parameters

By MANU KAUSHIK and N. MADHAVAN

UMESH GOSWAMI/www.indiatodayimages.com

Axis Bank

Most Consistent Bank

Showing the Way

Last year's best large bank, Mumbai-based Axis Bank, has emerged the most consistent performer over a three-year period in the BT-KPMG Best Banks study. Key changes in top leadership, a strong brand, durable relationships and a well-diversified revenue portfolio have been its growth drivers since 2008. The bank offers services to corporate clients, SMEs and retail customers, comprising, respectively, 53 per cent, 27 per cent and 20 per cent of its business.

Although the Indian banking sector has been hit hard by the double whammy of high interest rates and general economic slowdown, Axis is partly insulated as a significant chunk – 70.6 per cent – of its revenues comes from non-interest income, or NII, which includes fee income and treasury operations. To further strengthen its NII, the bank

YES Bank

Best Large Bank (Growth, Quality of Assets)

The Right Choice

One of India's youngest banks, YES Bank is also among the fastest growing. This year, it joined the likes of Bank of Baroda, HDFC Bank and Axis Bank in the large banks' category, at No. 4. Last year, it had aimed to achieve a balance sheet size of ₹1.5 trillion and a branch network of 750 by 2015. In the first year of its mission (FY 2011), it has recorded an impressive 54 per cent growth in advances to ₹34,364 crore and 71 per cent in deposits to ₹45,939 crore, despite a tight liquidity environment. Next, the institution-oriented bank is shifting focus to retail banking, with home loans, personal loans, credit cards and retail broking operations slated for launch. "In the first six years, we were driven by gut entrepreneurship; the next four years will be organised entrepreneurship," says CEO & MD **Rana Kapoor**. YES Bank's quality of assets is exceptional. Gross NPAs stood at 0.23 per cent of total advances in 2010/11 and net NPAs, at 0.03 per cent. "This is mainly due to prudent credit disbursements, regular follow-ups and a meticulous risk management approach," says Kapoor.

To read Rana Kapoor's interview log on to www.businesstoday.in/ranakapoor

IDBI Bank

Best Large Bank (Productivity & Efficiency)

The Young Bank

IDBI Bank's Chairman and Managing Director **R.M. Malla** believes the bank's improved productivity and efficiency are directly related to the fresh blood infused after 2004. "We have recruited over 11,000 people in seven years, which has brought down the overall average age of the bank's employees to 33 years, the lowest among all public sector banks and comparable to many private sector banks," he says. That is a remarkable change for a firm that was founded in 1964 as a development financial institution, and converted into a full-fledged public sector bank – with legacy issues – only in 2004. Initially, IDBI Bank had to rely on high-cost corporate deposits. But over the past seven years, it has attracted plenty of retail customers by increasing its branch network, which has resulted in sizeable low-cost CASA deposits. Historically, IDBI Bank has had the lowest NIM – net interest margin – in the industry. "Due to our background, we still remain the first port of call of credit for many infrastructure companies," says Malla. But the bank's approach has changed. "We advise, appraise and partly fund, but we take up only those projects that leave us with considerable spread," he adds.

is in the process of acquiring the broking and investment banking arm of brokerage firm Enam Securities. "Our business model is characterised by strengths in corporate lending, particularly in syndication and term lending," says CEO & MD **Shikha Sharma**, who is now keenly developing leadership at different levels in the organisation. "Many people don't realise that the most important change that has happened at Axis Bank in recent times is the appointment of Shikha [in 2009]," says Amar Chandramohan, senior analyst at Hedge Equities. "The kind of decisions she has taken of late, she is building a legacy that will remain for years to come." Decisions include doing away with the private equity business and creating leaders at lower levels.

Axis Bank will continue to strengthen its retail banking franchise, both from the asset as well as the deposit perspective in coming years. It already has a strong CASA –current account, savings account – deposit ratio of 44 per cent. As the bank goes about increasing its retail branch presence, maintaining the current CASA ratio will keep profitability at a healthy level. "We have ensured stability in funding profile despite high growth in assets," says Sharma. "The bank is focusing on long-term themes that aim to deliver growth combined with profitability – gaining market share while delivering above industry average ROA and attractive ROEs." (ROA is return on assets, ROE stands for return on equity.) In short, Axis Bank intends to stay ahead.

Karur Vysya Bank

Best Mid-sized Bank (Quality of Assets)

Quality Growth

Pursuing aggressive growth without compromising asset quality is a challenge for any bank. But the 95-year-old Karur Vysya Bank has done it with ease. This Tamil Nadu-based bank has grown its asset base six times, from ₹3,000 crore to ₹18,000 crore, in the past six years but its net NPA is a low 0.08 per cent. A set of written and unwritten rules has made this bank with a total business of ₹47,000 crore, 401 branches, 605 ATMs and 5,000-plus employees manage rapid as well as profitable growth. "Most of our customers are longstanding and we prefer to grow with them," says **K. Venkataraman**, MD & CEO of the bank, which funds SMEs to the extent of 48 per cent of its total advances. There are other dos and don'ts as well. "We restrict our retail exposure, do most large corporate funding through consortiums, focus on manufacturing clients, avoid high-risk exposure and prefer integrated business units to standalone ones," he adds. These guidelines have helped. The bank has not only posted profits since inception in 1916 but has also stayed ahead in the quality of its assets.

City Union Bank

Best Mid-sized Bank (Productivity & Efficiency)

Old Yet Modern

With 107 years behind it, City Union Bank, based in Kumbakonam, Tamil Nadu, may be the oldest private bank in the country. But when it came to embracing technology – bank automation and core banking – it was among the fastest. That has paid off. In the past 10 years, its business has grown 10 times to ₹25,000 crore and branches doubled to 280, without much staff addition. "We grew seven times between 2000/01 and 2008/09 without any manpower addition because of technology adoption," says **N. Kamakodi**, MD & CEO. Also, instead of cutting staff through voluntary retirement schemes, it chose to re-skill them. They responded by making the bank the best at productivity and efficiency. Its operating profit per employee and cost to income ratio are the most impressive among mid-sized banks. It has also posted profits and distributed dividend for over 100 successive years, and has never lost even an hour to labour unrest.

Dhanlaxmi Bank

Best Mid-sized Bank (Growth)

Getting it Right

The failure of its 2008 rights issue sparked the turnaround of Kerala-based Dhanlaxmi Bank. At the time, it was a regional player with a small segment of customers including shopkeepers and rural borrowers. It was understaffed and was growing slowly. Taking a cue from investors, Chairman G.N. Bajpai decided to make some structural changes. To begin with, he hired a new MD & CEO, **Amitabh Chaturvedi**, in October 2008. Chaturvedi spearheaded the bank's push into corporate lending, microfinance, retail, SME and agriculture while expanding its reach to 14 states from six. He also hired over 3,300 new employees in 36 months, up from 1,411 in 2008. In the past three years, the bank has emerged as one of the fastest growing mid-size private sector banks. "With right products and quick servicing of clients, the bank has made significant inroads in different segments," says Chaturvedi. "The initial gestation period is over and we will now focus on profitability." Recent allegations by All India Bank Officers Confederation, a Kerala-based state union, on accounts fudging has taken some sheen off, though the management has denied any wrongdoing.

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JPMorgan Chase

Best Small Bank (Overall, Productivity & Efficiency)

Locally Global

In 2009, when US-based JPMorgan Chase set up a Global Corporate Bank, or GCB, unit in India, it wanted to integrate its three lines of businesses – asset and wealth management, commercial banking and investment banking – into one and offer a bouquet of services. "Earlier our engagement with clients was more tactical," says CEO **Kalpana Morparia**. "So, if we had done some trade financing or forex transactions with a particular client, we were not digging deep enough to see what else we could do with them." The GCB now serves up cash management, lending, trade financing, forex needs, derivative transactions and payroll accounting. It has also made good use of Indian companies venturing overseas for business. "With our global network, we can leverage our understanding of different markets and service clients better than any local bank," she says. As a result, in three years, while MNC clients have tripled, Indian clients have also doubled. What has helped as well is that the India unit has a fair amount of approving authority and autonomy.

NISHIKANT GAMRE

Mizuho Corporate Bank

Best Small Bank (Growth, Quality of Assets)

Balancing Act

Like Karur Vysya Bank, Mizuho Corporate Bank, the Indian arm of Japan's Mizuho Financial Group, has also achieved high growth without compromising asset quality. Even as it grew its profits by 256 per cent to ₹73 crore and revenues by 63 per cent to ₹221 crore in 2010/11, it also maintained its NPA at zero per cent. "As compared to 267 firms in 2006, there are 725 Japanese companies operating in the country as of now," says **Ikuo Shinjo**, CEO (India). "We cater to roughly 40 per cent of them."

Apart from converting big-ticket Japanese yen investments into rupees and pocketing a fee income, the bank also lends money to Indian and Japanese firms. "When a loan is given, the credit committee discusses possible downside risks," says Shinjo. "Also, for new Japanese companies in India, we try and obtain guarantees from the parent." No wonder Mizuho's parent company injected fresh capital of ₹2,400 crore last October to expand the lending business.

Bank Of America

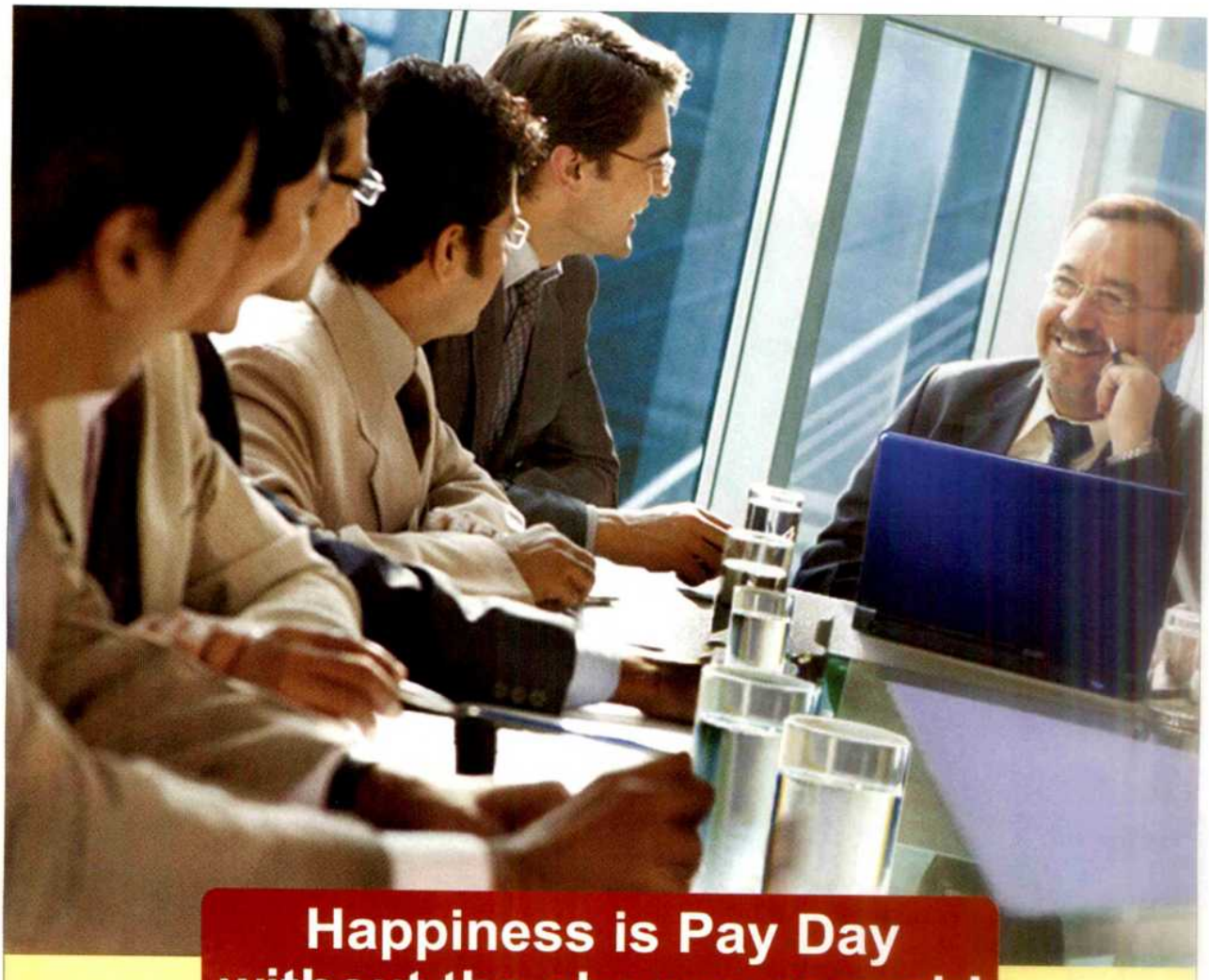
Best Small Bank (Quality of Assets)

American Asset

For a bank growing at over 20 per cent annually, maintaining asset quality can be tough. But not for Bank of America, which boasts zero per cent net NPA, or non-performing assets.

To keep its NPAs low, the bank uses comprehensive risk mitigation tools that are a mixture of Reserve Bank of India mandated rules and those followed by its parent in the US. "We have prepared an internal risk rating procedure in which we track the results of borrowing companies and their future outlook. We have a ratings score card aligned to global standards. Every quarter, we see whether the ratings hold true or not," says **Kaku Nakhate**, Country Head and President, Bank of America. Based on the results, the bank decides whether it can lend more to a customer.

All this due diligence is done by 15 credit analysts in Mumbai –besides a global analyst network. The job of the analysts is to continually assess risks at company, sectoral and portfolio levels.



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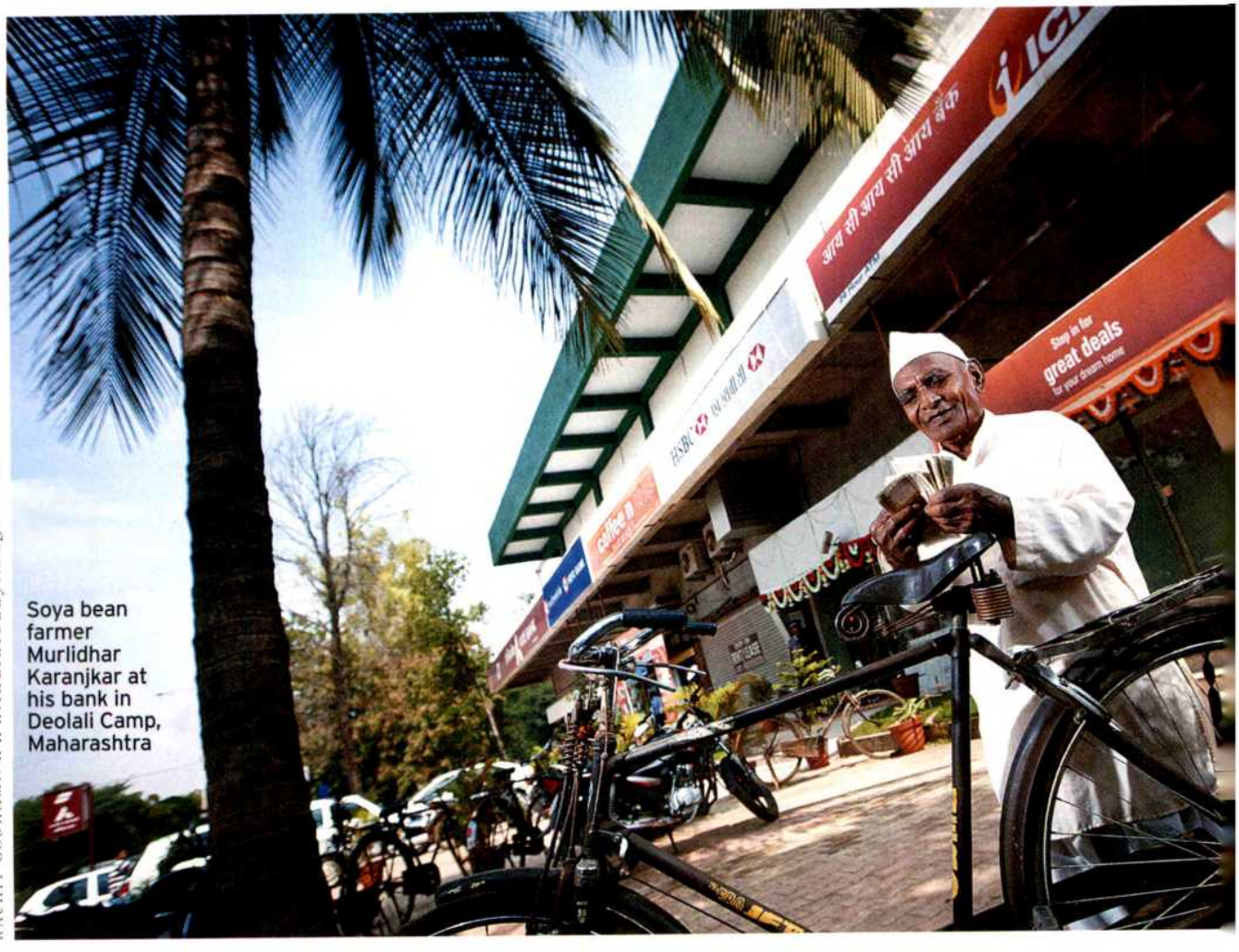
The Last Frontier

Banks are discovering that serving rural and semi-urban customers, which started out as a regulatory requirement, is good business.

By ANAND ADHIKARI



Soya bean farmer Murlidhar Karanjkar at his bank in Deolali Camp, Maharashtra

RACHIT GOSWAMI/www.indiatodayimages.com

Tough Terrain

Rural and small-town customers are averse to borrowing

Customers rarely deal with more than one or two banks

Strong presence of public-sector, co-operative and rural banks

Limited population of around 100,000 to cater to

Large proportion of non-salaried people with fluctuating income

Too many banks setting up shop

Less than an hour's drive south from Nashik is the semi-urban area known as Deolali Camp. Murlidhar Karanjkar, a soya bean farmer, has pedalled some 20 kilometres there from Nashik in the hot afternoon sun. The peasant is heading back to his village, Bhagur, also the birthplace of freedom fighter Vinayak Savarkar.

Karanjkar cuts a striking figure on his bicycle, his white cap, dhoti and kurta contrasting starkly with Maharashtra's dry red landscape. Ignoring the honking two- and three-wheelers in Deolali's main bazaar, he parks his beat-up old bicycle outside a two-storeyed office building, which houses a few bank branches, a coffee shop and a call centre.

Established in the 1860s as a camp for British troops, Deolali is today home to some 120,000 people. Locals call it 'mini-Dubai', because villagers sometimes come here seeking imported goods, branded clothes, jewellery – and banking services.

Karanjkar, who stands under five feet, seems tired from his bicycle ride, but walks purposefully into a 1,500 sq. ft. ICICI Bank branch, which is open on weekdays from 9 a.m. to 6 p.m. The cool, air-conditioned room smells of room freshener – a far cry from public sector bank branches aired by ceiling fans. The room is bustling with smartly dressed bankers in their late twenties, all locals.

The 72-year-old ICICI Bank customer walks to the senior citizens' desk at the far end, his smile showing the gaps in his teeth. The staff greet him by name in his native Marathi. Karanjkar is a gold loan customer. "*Mee sonyachya jaagi paishe udhaar ghetle,*" he says in Marathi. He borrowed ₹1 lakh last year at an interest rate of 13 per cent, by pledging the gold of his family of seven. What he liked most about the private bank, he says, was that his loan was cleared in half an hour – faster than the public sector Union Bank of India, where he first became acquainted with banking four years ago. Sure, the local moneylender in Bhagur would have been even faster, but the interest would be between 24 and 36 per cent.

ICICI Bank, the country's second largest bank in terms of total assets, made its debut in Nashik district in 1997. For more than five years, it had just one branch, in Nashik city. Now there are nine spread over the district. "This year, we plan to add seven branches," says Amol Kohli, Regional Head (North Maharashtra).

Kohli, a Punjabi who speaks fluent Marathi, is echoing the push of banks into the hinterland. In the next 10 years or so, say senior bankers, Indian banking will see a big shift to semi-urban and rural areas (see *Shifting Sands*). The initial prod in this direction came from regulatory targets for agricultural and financial inclusion. "This has transformed into a business proposition," says S.K. Chakrabarti, Deputy Managing Director at Axis Bank, a lender that counts as many of semi-urban branches as in the cities. The economic slowdown of 2008, in no small measure, showed banks the risk of a high exposure to customers in cities and the need to diversify portfolios. (A rural centre is a place with less than 10,000 people counted by the 2001 census, while a semi-urban one has 10,000 to

Beating New Paths

100,000 people.)

Rajiv Sabharwal, Executive Director, ICICI Bank, says rising agri-commodity prices mean higher incomes in rural areas. Besides, there are new employment opportunities in sectors such as fast-moving consumer goods, pharmaceuticals and insurance. "The availability of banking products has increased in the past couple of years," he says. He adds that cash payment of subsidies to farmers and people below the poverty line will be a big opportunity for banks. Subsidies on LPG, kerosene and fertiliser are estimated at more than ₹70,000 crore annually.

The banking regulator, by all indications, will continue its benign policy support for banking for hitherto unbanked areas. A draft report of the Reserve Bank of India, or RBI, on granting new banking licences to non-banking finance companies, or NBFCs, requires them to set up 25 per cent of their branches in semi-urban and rural areas. Also, draft guidelines on foreign banks would let them not only convert branches into wholly owned subsidiaries, but also operate freely in small cities and towns.

Banks are doing well in small cities, meanwhile. IndusInd Bank's FM Circle branch in Balasore, Orissa, broke even in just four months, as opposed to the usual 12 to 18 months. "That was a wake-up call," says a beaming Romesh Sobti, Managing Director and CEO of the bank. He heaped questions on IndusInd's consumer banking head to figure out what went right. The bank is now replicating the Balasore model in other places. "The trick is local flavour," says Sobti, a votary of recruiting locally.

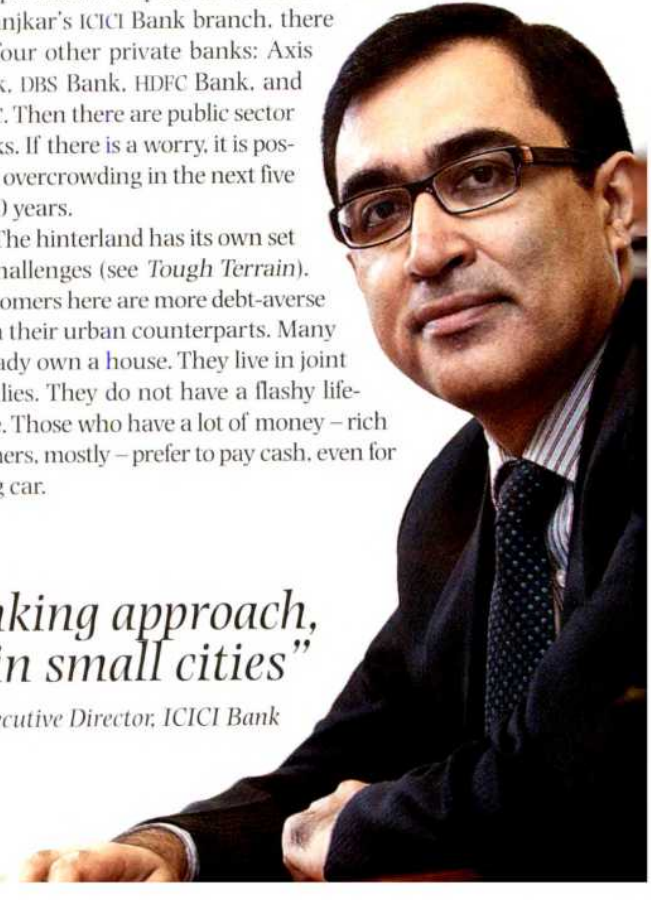
However, not all semi-urban and rural areas are likely to be lucrative. "Some centres are specifically targeted for financial inclusion," says Paresh Sukthankar, Executive Director, HDFC Bank. Axis Bank, the country's third largest private sector bank in terms of assets, calls its expansion plan, formulated about two years ago, its 'Bharat' strategy.

There is a sea change in banks' dealings with these new customers. Only five years ago, the focus was on mobilising low-cost deposits and selling a few products – a crop loan here, a tractor loan there. But now, rural and semi-urban customers can get the whole nine yards. "It's relationship banking, just the way we do it in the metros," says Sabharwal of ICICI Bank. His branch manager at Deolali, Kiran Patil, goes twice a month to the dozen or so villages in the area to meet farmers in *gram sabhas*.

Some semi-urban and rural customers are showing interest in insurance products, and even investment options such as mutual funds. HDFC Bank's Sukthankar says the increase in insurance policies sold through semi-urban and rural branches is astounding: the share has gone up from one per cent to more than 10 per cent in a couple of years. For a bank, selling investment products means a steady fee income without dipping into its capital.

Seen in this perspective, semi-urban Deolali, with nearly a dozen banks, is not exceptional; it is part of a trend. Near Karanjkar's ICICI Bank branch, there are four other private banks: Axis Bank, DBS Bank, HDFC Bank, and HSBC. Then there are public sector banks. If there is a worry, it is possible overcrowding in the next five to 10 years.

The hinterland has its own set of challenges (see *Tough Terrain*). Customers here are more debt-averse than their urban counterparts. Many already own a house. They live in joint families. They do not have a flashy lifestyle. Those who have a lot of money – rich farmers, mostly – prefer to pay cash, even for a big car.



"You need a relationship banking approach, not a product-centric one, in small cities"

Rajiv Sabharwal, *Executive Director, ICICI Bank*

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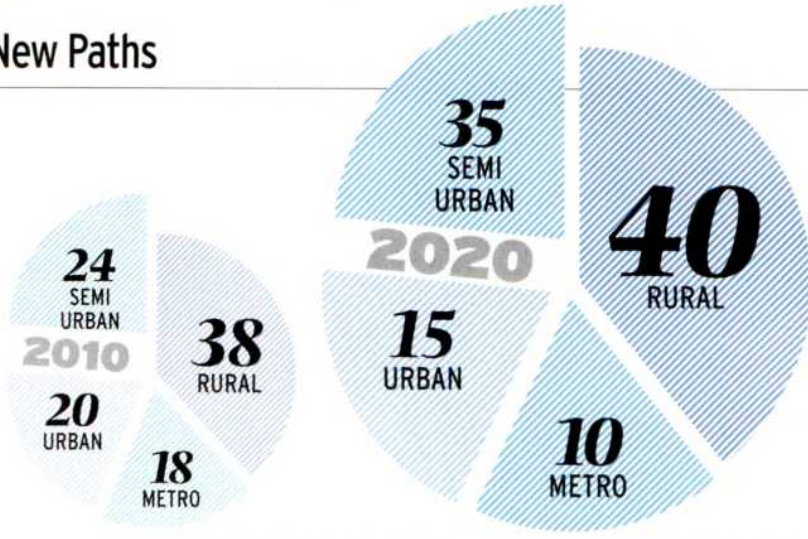
Beating New Paths

Shifting Sands

Rural India's share of branches is set to rise over the next 10 years



Every 10 years, semi-urban centres get reclassified as urban if their population has crossed 100,000. Figures indicate distribution of number of branches. Source: RBI, *BT* Research

NISHIKANT GAMRE

Several public sector banks have been making losses in rural and semi-urban branches. While an urban or a metro branch offer the opportunity to sell multiple products, there is a saturation limit for branches in small towns with a population of a few thousand people. "People there are not ideal customers for all financial services and products," says the CEO of a small private bank. The big competition for private sector and foreign banks will come from niche NBFCs – potential banks – especially in big products such as loans against gold. Today, NBFCs such as Manappuram Finance and Muthoot Finance dominate gold loans, and Mahindra Finance leads in tractor finance in small towns and cities.

"It's going to be competitive, but not tough," says Sukthankar of HDFC Bank. "In the mid-1990s, when new-generation private sector banks arrived on the scene, everybody said the metros were saturated. Today, some of those private banks, such as ICICI, HDFC and Axis are among the top five players."

Many private sector bankers argue that banking must be seen as part of the opportunities emerging in the hinterland. "Commercial banking doesn't lose its colour," says Axis Bank's Chakrabarti, who has more than three decades of experience in the business. "The trick is to keep deepening the relationship with customers," says ICICI Bank's Sabharwal.

A fast-expanding network of so-called business correspondents – people like petrol station owners, retailers, or others authorised to offer banking services – as also mobile phone-based banking, both of which reduce the cost of taking banking to remote areas, too, will increasingly give a fillip to the reach of banks into the hinterland.

> *"The availability of banking services will accelerate the overall economic development of smaller towns and cities"*
>
> **Paresh Sukthankar,** *Executive Director, HDFC Bank*

Many also argue that, with financial services reaching the poor, the cash economy will gradually give way to banks. Many villages today have no access to banking. "The availability of banking services will accelerate the overall economic development of small towns and villages," says Sukthankar.

That would set off a virtuous circle: if banking and financial services grow, people will get cheap funds to buy houses and cars, or to start or expand a business, and if that happens, banking will grow. And the face of that change is Karanjkar, with his gap-toothed smile. ◆

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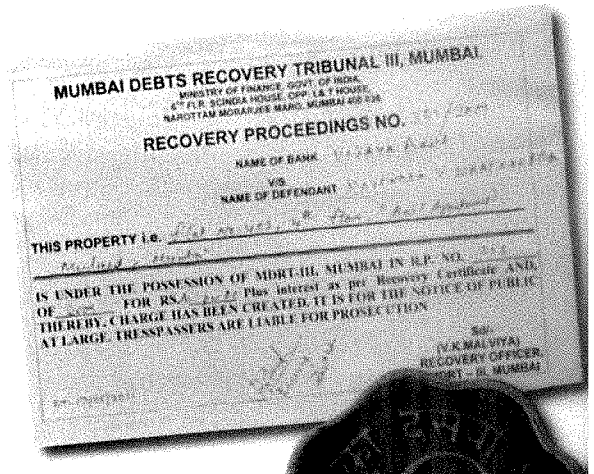


The increase in non-performing assets is bad news for bankers.

By ANAND ADHIKARI

Men in black swarm the fifth and sixth floors of Scindia House, in South Mumbai's Ballard Estate. These are no gunslinging secret agents fighting intergalactic criminals, but file-toting lawyers at one of the country's nearly three dozen Debt Recovery Tribunals, or DRTs, a quasi-judicial, liberalisation-era system for banks to settle default cases. The pressure-cooker atmosphere of these courts, which belies the calm on the streets below, reflects the heightened stress in the country's banking system. DRT courts hear hundreds of default cases on an average day.

In courtroom number three, two officials of Bangalore-based Vijaya Bank wait anxiously for bids to open for the public auction of a suburban Mumbai flat. Borrower Rajendra Warekar, who defaulted on his home loan a few years ago, is absent. He owes the bank around ₹20 lakh, but the value of the property has appreciated (the tribunal fixed a reserve price of ₹52.6 lakh in October). Unfortunately for the bank, however, recovery officer V.K. Malviya announces that not a single bid was received for the property.

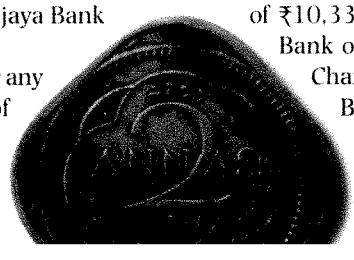
"We will restart the process," says a DRT officer on condition of anonymity. This means issuing a fresh public notice, re-inspecting the property, inviting bids again, and holding another auction. It will take another two months at least. The DRT order favouring Vijaya Bank in the case was passed in 2009.

Debt recovery is frustrating for any bank. In theory, DRTs dispose of cases within six months. But the reality is that it can take years. Banks have been on a retail lending spree in recent years, so recovery is a bigger problem than before. What makes it worse is the paltry amount for which officials must make rounds of the courts.

DRTs are flooded with cases against individuals and companies. When the global financial meltdown hit the Indian economy, there were some 2,000-odd cases in the DRTs, totalling some ₹4,000 crore, in 2008/09. A year later, the figure had tripled to 6,000, worth around ₹10,000 crore.

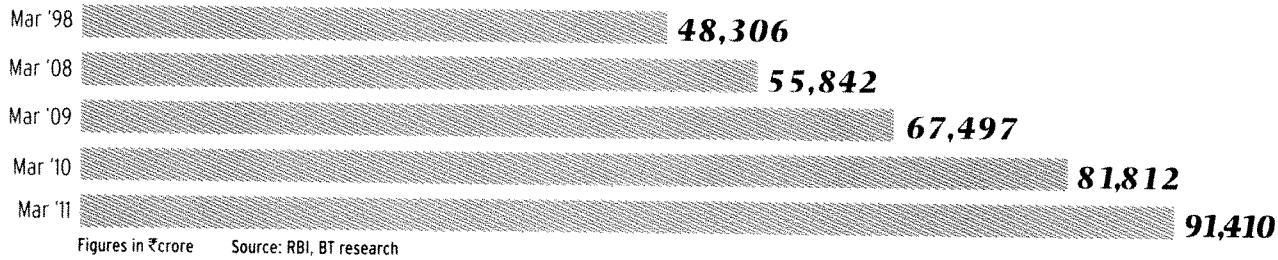
With soaring inflation and high interest rates making it hard for families to repay debts, banks' bad assets are piling up fast. For retail borrowers, floating interest rates are now 250 basis points higher than 18 months ago, and equated monthly instalments have increased by some 15 per cent. Trends for corporate borrowers are similar. As a result, gross non-performing assets, or NPAs, of banks are close to ₹1 trillion (one trillion equals 100,000 crore). But no bank wants to go on record about its NPAs.

Not all bad assets end up as DRT cases. Debt restructuring can offer an asset a reprieve for a few months or a year. Manoj Tirodkar, whose mobile phone tower company GTL Infra has a debt of ₹10,338 crore, asked his creditors – State Bank of India (SBI), ICICI Bank, Standard Chartered Bank, Bank of India, Bank of Baroda and Axis Bank – earlier this

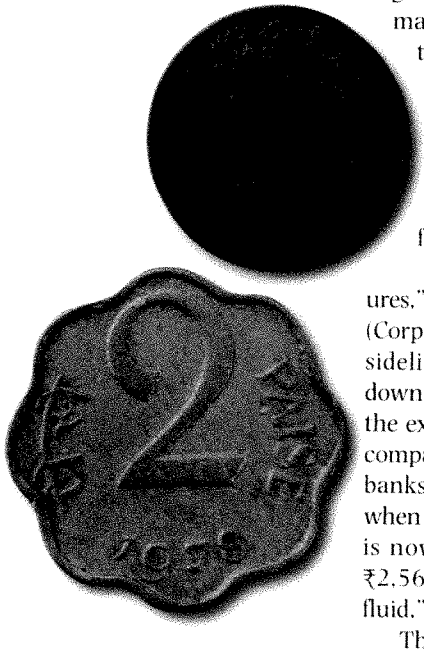


Deteriorating Asset Quality

Gross non-performing assets of the Indian banking industry



Figures in ₹crore Source: RBI, BT research



As of June 2011, ***323*** *companies with a total debt of* ***₹1.4 trillion*** *were in the corporate debt restructuring cell, but only* ***24*** *companies with total debt of* ***₹7,536 crore*** *got the go-ahead*

year to restructure his debt. The 2G scam, high interest outgo and slowdown in demand hurt his capacity to pay interest on the money he had borrowed. GTL Infra is not alone: Chennai Network, Empee Sugars, Maneesh Pharma and Ruchi Power are among hundreds of companies that have sought to restructure their debt. This trend is bad news for bankers.

"A large account can swing NPA figures," S.B. Nayar, Deputy Managing Director (Corporate Banking Group), SBI, said on the sidelines of a conference after Moody's downgraded the bank's bond issue. He gave the example of KS Oil, a leading edible oils company and a well-paying asset in many banks' books, which suddenly turned bad when some of its futures bets went wrong. It is now seeking to restructure a debt of ₹2,564 crore. "The asset quality situation is fluid," says Nayar.

There are also instances of stressed debt being converted into equity. Early this year, over a dozen banks, including SBI, ICICI Bank, IDBI, Bank of India, UCO Bank and Punjab National Bank, agreed to convert their ₹750 crore debt in Vijay Mallya's Kingfisher Airlines into equity. Unfortunately, the value of their shares has eroded. The equity now has a value of some ₹220 crore, which amounts to an erosion of about ₹530 crore. The airline still has loans of ₹6,000 crore on its books, and could create problems for banks if it defaults.

Amongst public sector banks, Delhi-based Punjab National Bank currently has the most restructured debt on its books – some ₹15,314 crore, or 6.28 per cent of gross advances. More than half of the restructured debt on its books is power sector loans. "Our slippage record from restructured assets is low," says a top official of the bank, referring to restructured loans that turn into NPAs. However, many experts say a large part of restructured debt in the banking system is slippage waiting to happen.

At a recent meeting of bankers and officials of the Reserve Bank of India, or RBI, bankers warned that non-performing assets may rise sharply unless the central bank takes a pragmatic view on debt restructuring. They see danger in sectors such as aviation, telecom, real estate and infrastructure.

On October 4, when credit rating agency Moody's announced it was downgrading SBI's perpetual bond issue, RBI held a closed-door meeting with bankers to discuss concerns about risk due to sectoral and especially geographic concentration. "Steel exposure is abnormally high for banks in eastern India, while banks in the South have a high exposure in textiles," said a bank official who was at the meeting.

Ananda Bhoumik, Senior Director at Fitch Ratings in Mumbai, points to a third type of risk of concentration that Indian banks face: exposure to the top 20 corporates as a percentage of the bank's equity. "This could result in more volatile NPAs than those we saw in the last decade," he says. He attributes most of the growth of banks to their funding of infrastructure projects.

Two weeks after Moody's downgrade of the SBI bond issue, credit rating agency CRISIL published a report which put stressed loans in the power sector at some ₹56,000 crore. Power is the biggest component of the infrastructure sector, and its biggest risk is raw material: many companies do not have long-

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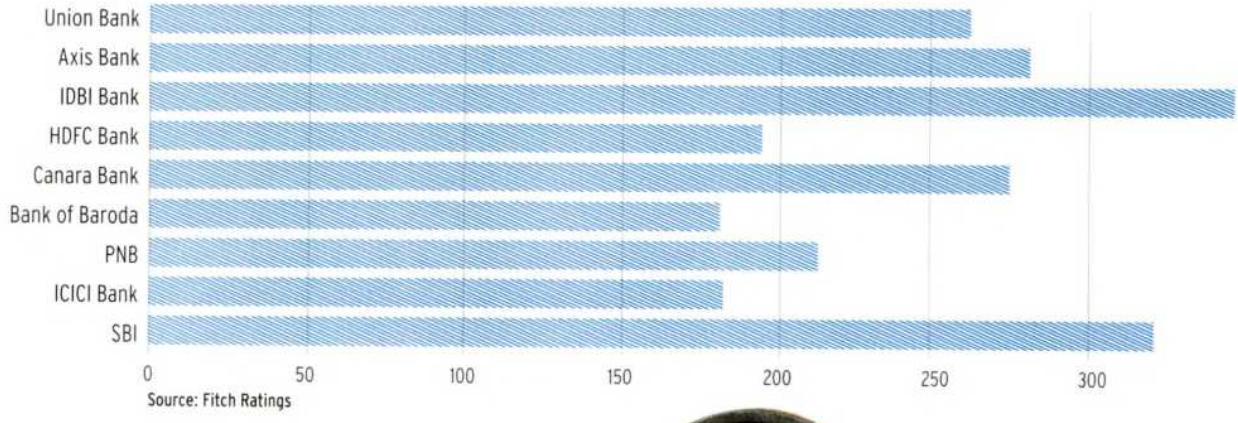
Concentration is a Big Risk

Banks' exposure to top 20 corporate borrowers as a percentage of equity capital



Source: Fitch Ratings

term coal supply contracts, although they sign supply agreements with state electricity boards for up to 20 years.

When *Business Today* raised these concerns with SBI Chairman Pratip Chaudhuri, he did not respond directly. "The big corporates are anyway not borrowing," he said. Companies such as Reliance, SAIL and BHEL, he said, do not need to borrow big amounts.

In the last four to five years, concentration is also a growing risk in the retail portfolio. Many banks have trimmed their portfolios, especially in unsecured loans. They have reduced or exited segments such as credit cards and car loans, with the result that home loans now dominate. In an interview with RBI Governor D. Subbarao, *BT* brought up the alarming new trend of banks extending the tenor of home loans to as much as 70 years. "It is something we must look into as the regulator, but it is perhaps not as big a concern as it is made out to be," he says (*see interview on page 17*).

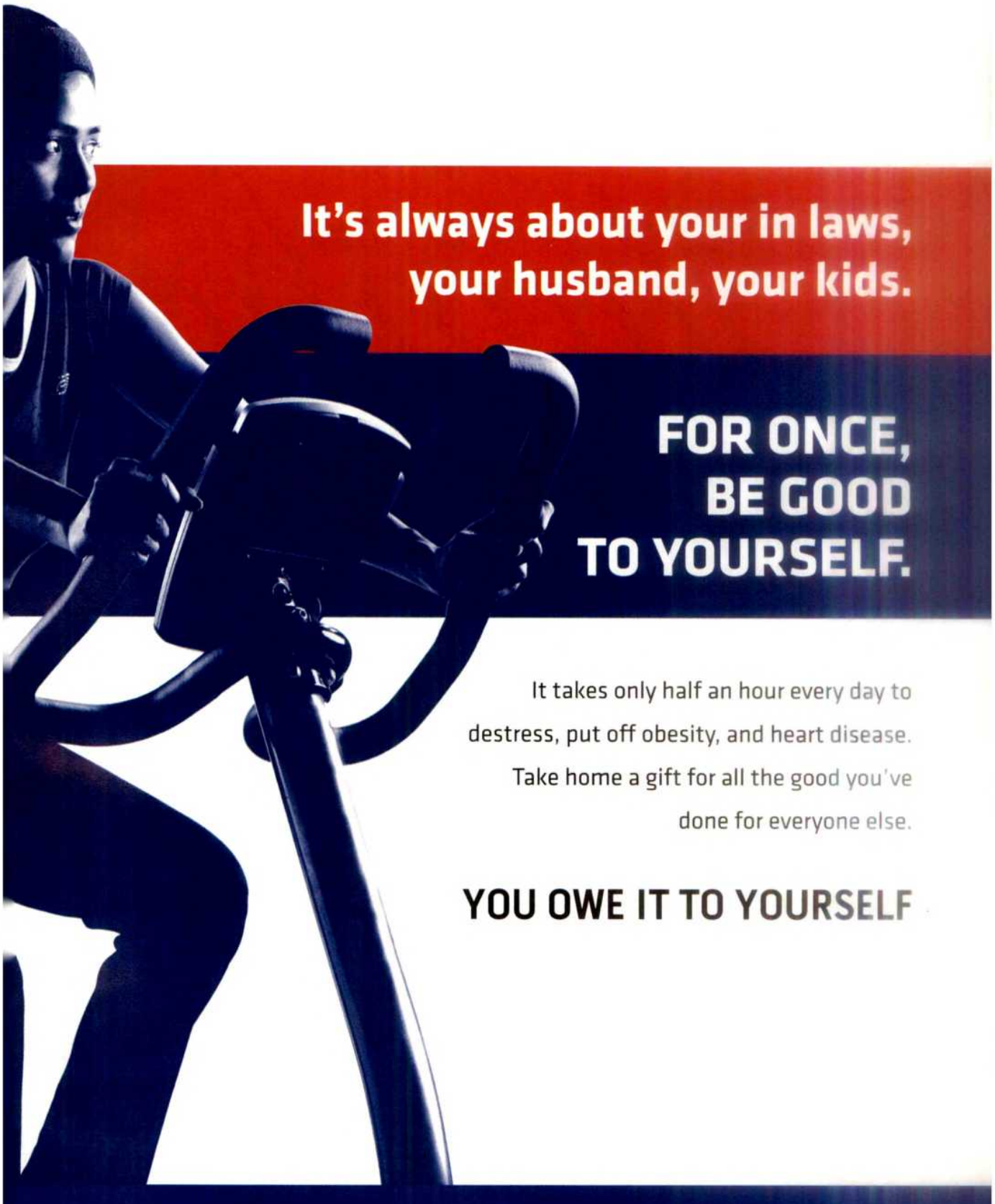
Avendus Equity Research, in a recent report on IDBI Bank, has hinted that the bank has greater slippage in its portfolio of loans to small and medium enterprises. Another area of concern is agricultural loans. According to Standard Chartered Bank's annual report for 2010/11, net NPAs amount to 0.64 per cent of total advances to the agricultural sector, 0.46 per cent for industry, 0.43 per cent for personal loans and 0.34 per cent for services. The quantum of loans is lower in the agricultural segment than in others, but the share of bad loans there is higher.

Banks are adjusting to new ground realities. "Portfolios have been washed out in the last two or three years," says Romesh Sobti, Managing Director and CEO, IndusInd Bank, an apparent reference to the decline in the number of credit cards in the country, from 27 million before the global downturn to17 million by March 2011 (although spending has risen during this period).

These are tough times. A Moody's stress test scenario for SBI pegs its gross NPAs – which were 3.28 per cent in 2010/11 – at 12 per cent, if the worst should come to pass. This would convulse the banking system, and the DRTs may be able to do little about it. ◆

"The big corporates are anyway not borrowing"

Pratip Chaudhuri, *Chairman, State Bank of India*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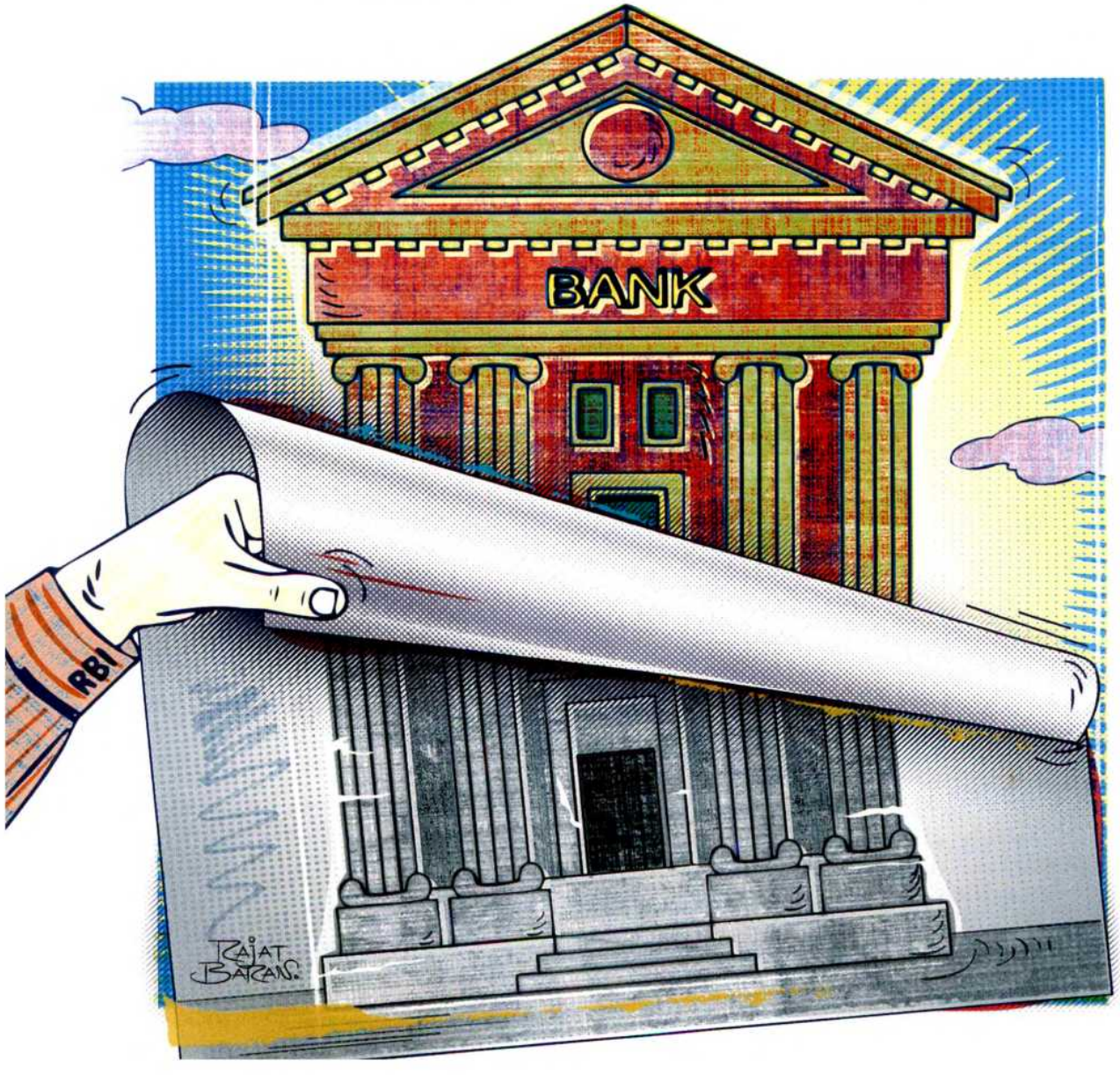
Time for Change

Long-overdue reforms could transform the banking landscape.

By ABIZER DIWANJI, RAVI TRIVEDY and NARESH MAKHIJANI



Changing Bankingscape

Key reforms proposed in Banking Laws (Amendment) Bill 2011

The Indian banking and financial services industry has undergone a major transformation in the past 20 years. Yet, there is more to come.

The first major banking reforms happened in the early 1990s – coinciding with the onset of liberalisation. Major changes happened in supervision, capital structuring, risk coverage, and the licensing of new private banks. Since then the Reserve Bank of India, or RBI, has introduced significant changes, covering areas such as ownership structure, risk-based supervision, priority sector lending, to name some.

In response, our banking sector identified key challenges – to manage volumes-led scalability issues, implement new risk models, and implement technology. However, many strategic issues were not handled urgently – shortage of skills, greater focus on compliance by regulators, absence of a significant retail portfolio, asset-liability portfolio mismatches linked to banks' investing in infrastructure projects, the eventual lack of capital to fund future growth, among others.

The spotlight now is on these strategic issues.

Voting rights in proportion to shareholding in private banks

Investment cap of 1% in PSU banks to be increased to 10%

M&As will need only RBI's approval

Financial holding company needed for all financial services conglomerates

Subsidiarisation of large foreign banks in the country

More private sector banks to be allowed entry

The structure and operating environment for NBFCs to be redefined

The Regulator's New Agenda

India's need to sustain its growth trajectory while managing macroeconomic challenges requires strategic banking reforms. One key reform that needs attention is The Banking Laws (Amendment) Bill 2011. Three key features of this bill are:

- Voting rights to investors as per their shareholding in private sector banks, currently capped at 10 per cent.
- Current cap of one per cent maximum investment by an investor in public sector banks is proposed to be increased to 10 per cent. However, any investor seeking more than five per cent stake in a bank will still need RBI's approval.
- Mergers and acquisitions will not need approvals from Competition Commission of India – only from the RBI. This could clear the path for consolidation in the industry.

The bill also seeks to empower the RBI in multiple ways to improve stability, reduce risk of contagion, and to protect depositors and minority shareholders. The RBI will have the power to supersede a bank's board for a year and to appoint an administrator. The bill also intends to empower the RBI to exercise oversight over associate enterprises or subsidiaries of banks. It will also have the power to inspect the subsidiary or seek information from it as well as impose penalties or sanctions for violations of risk and capital guidelines. The bill also proposes other key reforms.

Financial Holding Company (FHC)

Under strict ownership and governance norms, the RBI will expect all finance conglomerates, especially those with a banking entity, to convert to the FHC model. And while conglomerates, without an underlying banking entity, may choose to do so, all

Currently Operating Major Foreign Banks...

... that might seek or need to convert to wholly owned subsidiaries

	Citibank	Standard Chartered	HSBC	Deutsche Bank	Barclays
Balance Sheet Size (₹ cr)	1,11,586	1,06,683	91,149	28,680	23,852
Deposits (₹ cr)	56,668	58,419	54,107	14,646	6,740
Advances (₹ cr)	40,597	49,201	27,401	14,294	8,311
Branches	43	95	50	15	9
Net NPA Ratio (%)	1.2	0.3	0.9	0.2	1.5
CAR (%)	17.3	11.9	18	15	14.9

NPA: Non-performing Assets CAR: Capital Adequacy Ratio All figures for 2010/11 Source: Company annual reports, RBI

new entrants into banking or insurance will be mandated to set up an FHC. Cross-holdings between FHCs, and between banks and FHCs will be strictly enforced.

The RBI expects the FHC to be registered as a non-banking finance corporation, or an NBFC, which will be under the supervision of a separate unit of RBI, with supervisors from other regulators. No intermediate holding companies will be permitted. To ensure availability of capital for subsidiaries, both the FHC and the subsidiaries can be listed as per prevailing regulations and investment limits.

An FHC model will create many structural challenges for existing financial services conglomerates – creating an optimum structure, gaining agreements of existing joint venture partners for the new structures, ensuring the ability to create adequate capital infusion at FHC level, and setting up an appropriate governance structure. Seen in conjunction with emerging guidelines on new private bank licences, the FHC will also have to keep in view the non-operating holding company, or NOHC, structure proposed for new banks.

Foreign Banks in India

In 2010, the RBI released a discussion paper for foreign banks to operate as wholly owned subsidiaries. Key changes envisaged are:

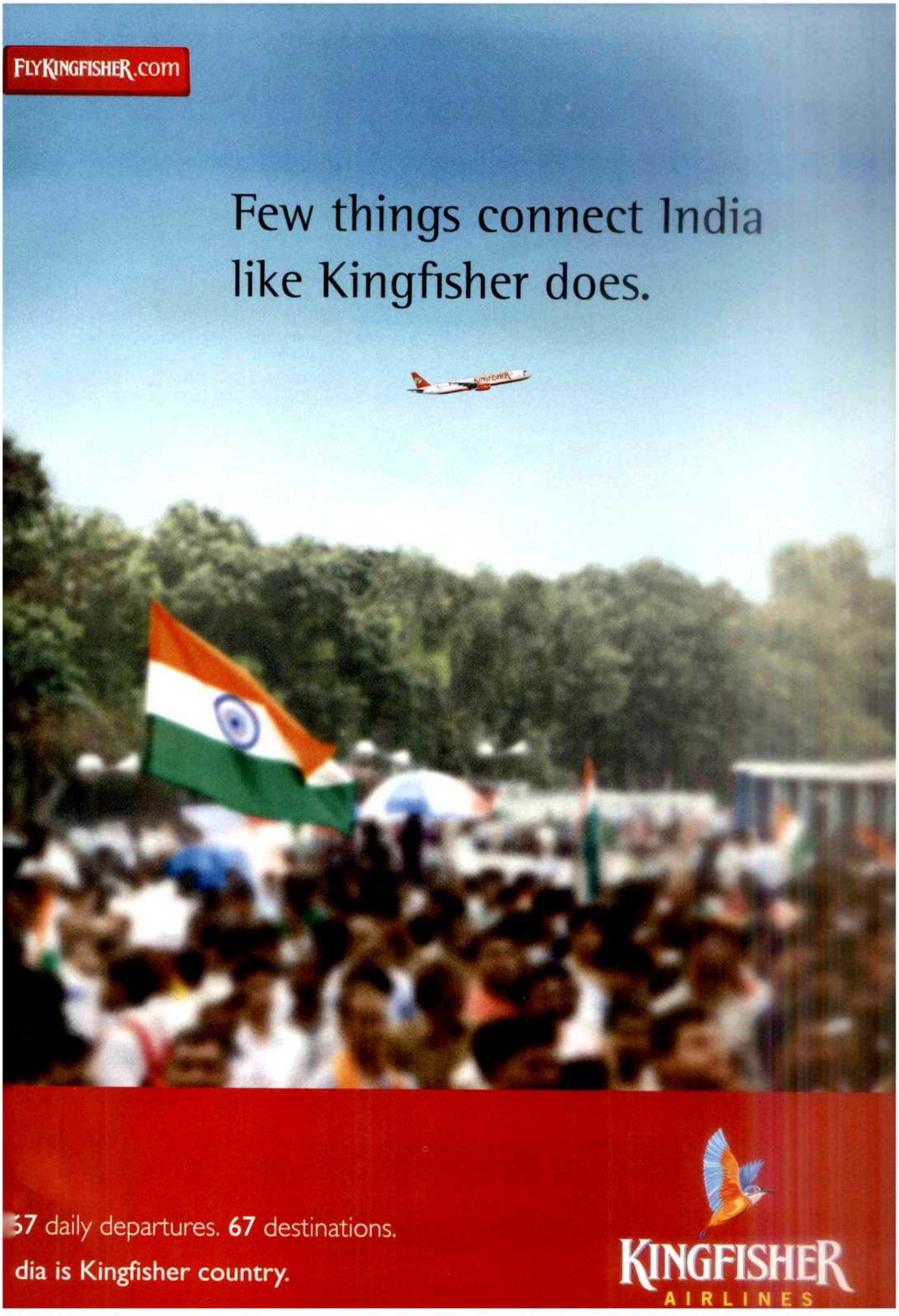
- Systemically important foreign banks – onshore balance sheet+off balance sheet credit equivalent higher than 0.25 per cent of the industry total – and those that come from jurisdictions that guarantee higher level of protection to depositors in home countries, will need to convert to a subsidiary structure.
- Will be treated on par (approx.) with a private bank – modified priority sector lending targets, branch expansion opportunity (automatic approval in Tier IV to VI locations), ability to raise subordinated debt locally, opportunity to list locally and, critically, a possibility to acquire a local bank in the future.

These changes will have significant impact since large global banks operating in India have always sought an even playing field, specifically around branch expansion.

Licences for New Private Sector Banks

In 2010, the RBI released draft guidelines on licences for private banks and opened doors for the following aspirants: existing financial services companies, mostly large NBFCs, with financing and other financial services businesses; and large corporate houses or conglomerates, with or without a captive NBFC, with an ability to invest in a bank. The RBI has, in its model, eliminated entities with high exposures to real estate, construction and capital market investments.

Key features include stringent ownership rules of the NOHC and the underlying bank – fit and proper criteria for promoters, ring fencing the NOHC's capital, and bringing the NOHC, the bank and other financial services businesses into a single regulatory oversight model. While the NOHC must be held entirely by the promoter group, NOHC ownership in the new bank must be at least 40 per cent at the start and reduce to 20 per cent within 10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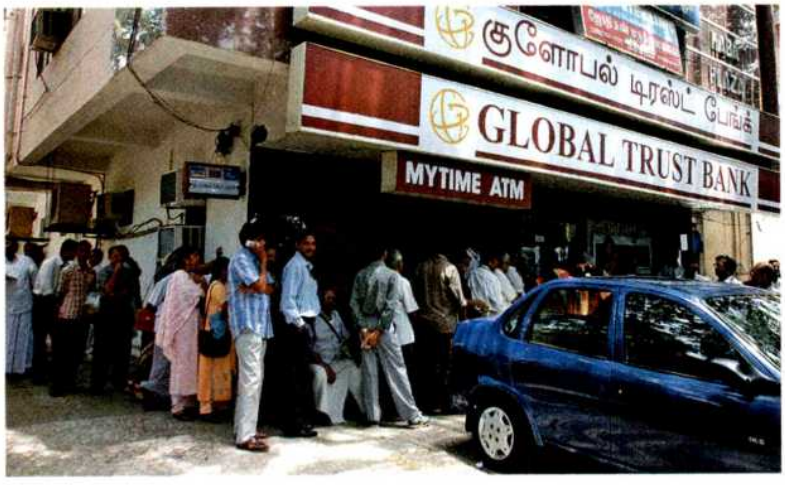


H.K. RAJASHEKAR

Global Trust Bank, along with Times Bank and Centurion Bank, were ***awarded*** *licences in the early* ***1990s*** *but either merged or* ***collapsed.*** *RBI could now have discretionary powers to avoid a similar situation*

years. FDI investments in the underlying bank cannot exceed 49 per cent and no one party can hold more than five per cent stake.

Dual presence – bank and NBFC – will not be encouraged. All activities in an NBFC that can be done in a banking department will need to be transferred. New licensees must open 25 per cent branches in Tier V and VI locations, and meet priority sector lending targets, including rural obligations. Exposure to any promoter group entity shall not exceed 10 per cent and aggregate exposure to all group entities shall not exceed 20 per cent of paid-up capital and reserves of the bank. All credit facilities to promoters, their business associates, major suppliers and customers should have minimum security cover of 150 per cent. The bank has to maintain a minimum capital adequacy ratio of 12 per cent for the first three years of its operations.

The guidelines will create a dilemma for financial services groups that are anchored around their financing NBFCs. To convert or not will be decided by issues around the structure, capital requirements, ease of restructuring portfolio, ability to leverage the current base of customers in the bank, capability of the existing organisation to fit into a banking model, among others. The RBI will also use its discretionary powers to prevent situation similar to the early 1990s. Of the seven bank licences issued then, only four survive – HDFC, ICICI, Axis and IDBI. The rest – Times Bank, Centurion Bank and Global Trust Bank – either merged or collapsed.

These guidelines will only be implementable once the Banking Amendment Act is passed in Parliament – to enable the proposed ownership structure to be aligned with the amended act.

Redefining the NBFC Structure

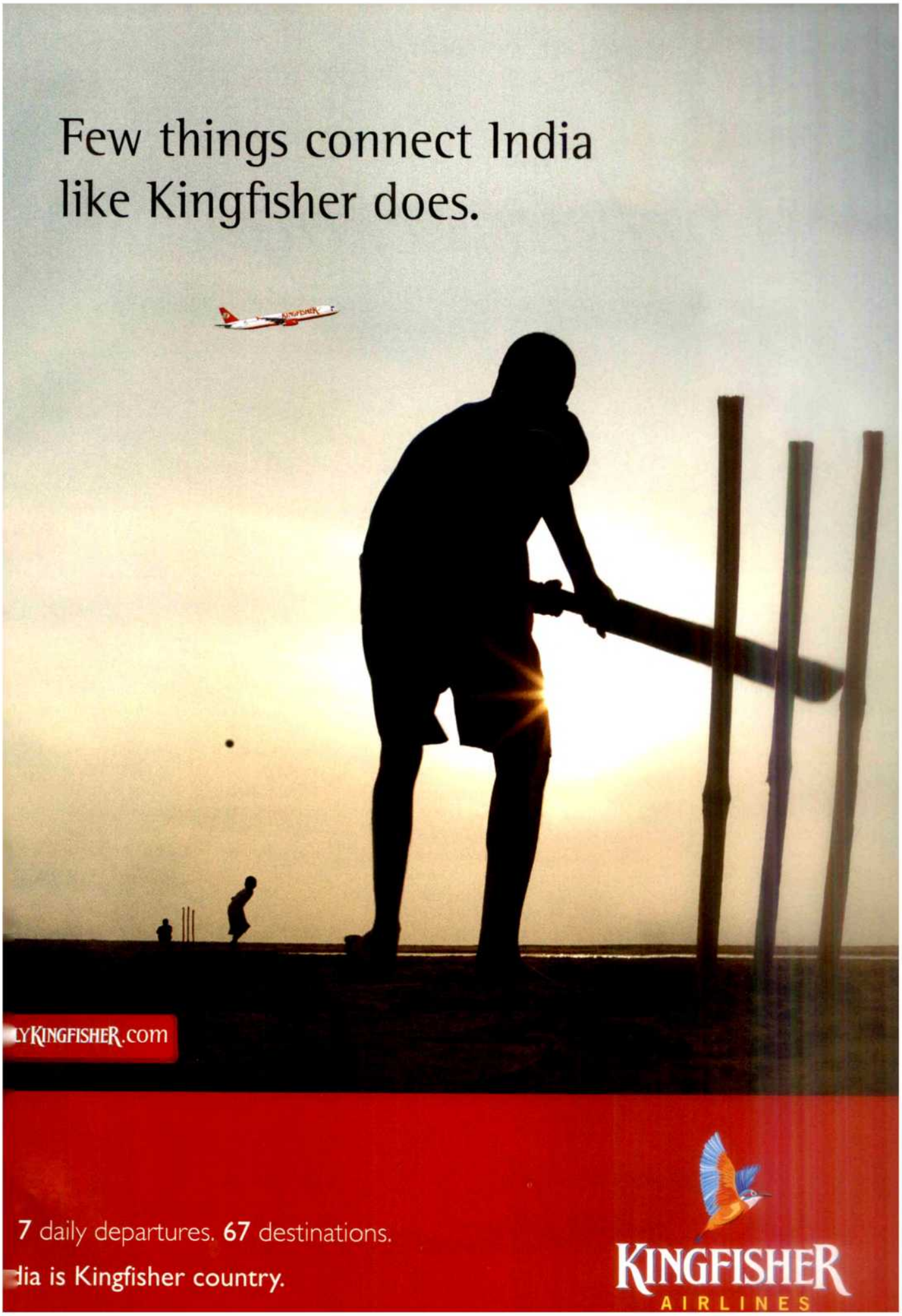
Also important is a set of draft recommendations for NBFCs. Key highlights include – any change in control or transfer of an NBFC-ND (non-deposit taking NBFC) or NBFC-D (deposit taking NBFC) beyond 25 per cent of paid-up capital will need RBI approval, while NBFCs-ND with assets of less than ₹50 crore will be encouraged to deregister. Minimum capital-to-risk weighted assets ratio to move to 15 per cent, while classification and provisioning norms to be made similar to banks; additionally NBFCs to benefit from SARFAESI, or Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest, Act and an increase in their single party and group exposure limits.

Captive NBFCs must focus on financing the parent company's products – minimum 90 per cent – and risk assessment of the NBFC will consider the risk of parent company. The RBI will have powers with reference to management and will seek additional disclosures, including liquidity ratio, asset-liability profile, exposure to parent company, etc. NBFCs with assets of more than ₹1,000 crore will be subject to comprehensive supervision, including inspection at predetermined levels.

The RBI will achieve key objectives with these guidelines – dramatic reduction in the number of inactive NBFCs, very low scope of arbitrage between a bank and its NBFC, reduction of systemic risks, and a better reporting and supervisory framework for the sector.

The next phase of India's growth will get a fillip if these amendments or structural changes are enacted. Whether they manifest themselves in the form of deeper financial inclusion or better risk containment, India's financial services sector is poised to grow. ◆

Diwanji is Partner and Head of Financial Services, KPMG India; Trivedy is Partner, KPMG Advisory Services; and Makhijani is Partner, KPMG India. The views and opinions in the article are those of the authors and do not necessarily represent the views of the organisation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Work in Progr

Five key developments to expect in the banking space in

By RAJIV BHUVA

Financial Inclusion

Despite banks having 89,000 branches, 55,000 automated teller machines, or ATMs, and over half a million points of sale in the country, more than half of India's 1.2 billion population lacks access to banking services. Technology enabled meaningful financial inclusion would mean gigantic business opportunities for existing as well as new players in banking.

Mobile Banking

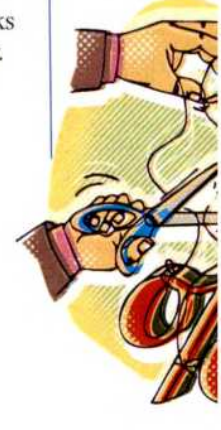
There are currently over 850 million mobile phone connections in India. While banking transactions using mobiles have already begun, with a number of players in the fray, the opportunities are limitless. Handheld devices can do much more than just move money.

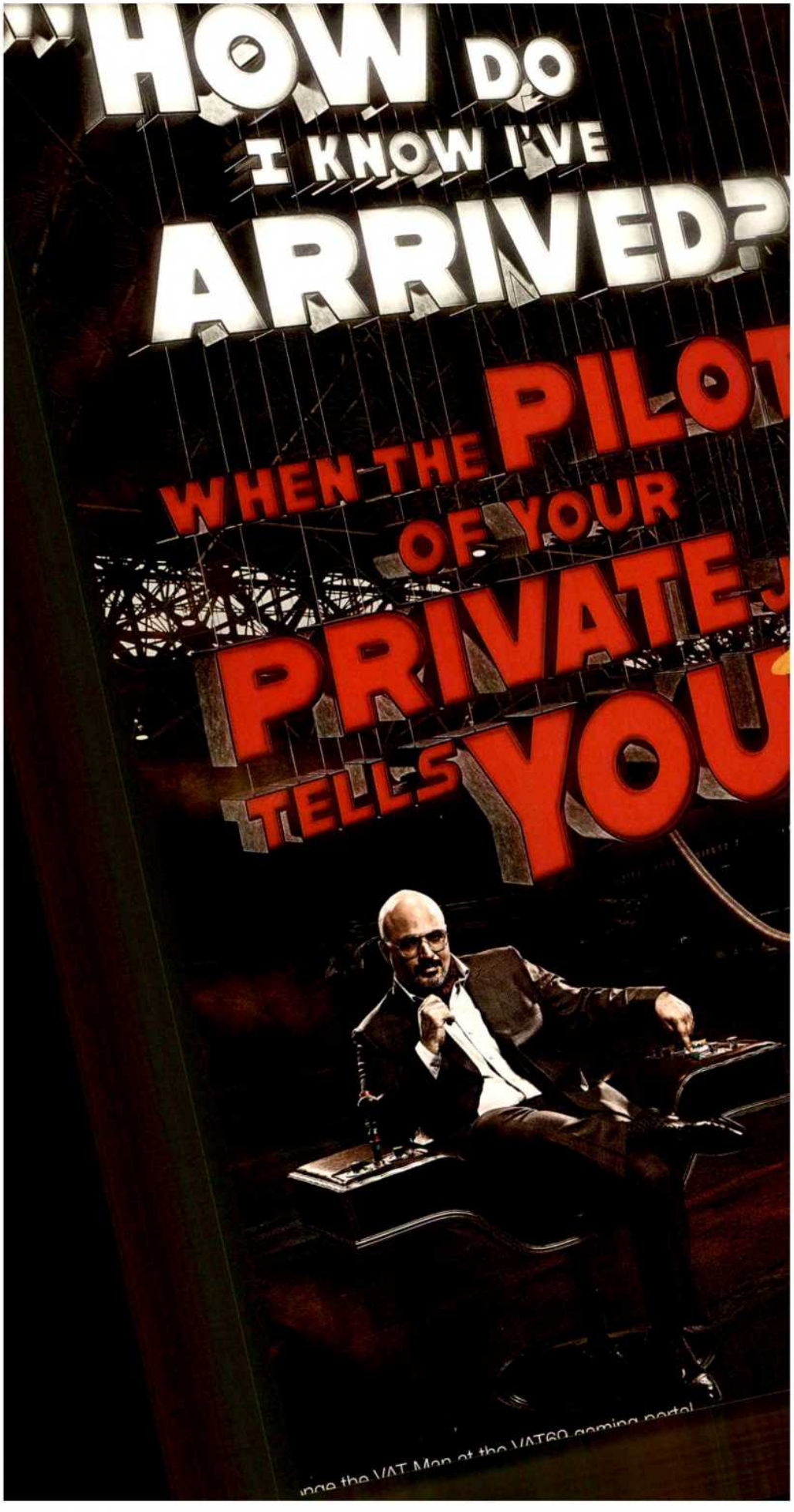
Consolidation Among Public Sector Banks

With the government gradually paring down its ownership in PSU banks and finance being directed towards productive uses, the long-term survival of undercapitalised PSU banks will depend on consolidation. With rising fiscal deficit, the chances of further capital infusion to keep weak banks afloat are low.

Impact of Savings Account Deregulation

With the remo of the four per cent interest ca on savings accounts abov ₹1 lakh, banks have to be mor attentive to cu tomers. Now banks will figh over liabilities (deposits), just they traditiona fought over as (loan books).

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THE 2011 RANKINGS

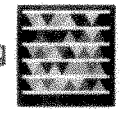
GROUP-I LARGE BANKS Balance sheet size greater than ₹50,000 crore

RANKS 2010/11 / 2009/10	BANK	GROWTH (%)										SIZE (₹ CR)		
		DEPOSITS		LOANS & ADVANCES		FEE INCOME		OPERATING PROFIT		INCREASE IN MARKET SHARE (BASIS POINTS)		Deposits	Operating Profit	Balance Sheet
		1-year Growth	3-year Growth	1-year Growth	3-year Growth	1-year Growth	3-year Growth	1-year Growth	3-year Growth	Deposits	CASA			
1 / 4	Bank of Baroda	26.72 **5**	26.18 **7**	30.65 **7**	28.93 **6**	9.26 **26**	14.04 **15**	41.46 **7**	33.59 **7**	0.36 **3**	0.14 **4**	3,05,439 **3**	6,982 **5**	3,58,397 **4**
2 / 3	HDFC Bank	24.60 **10**	27.44 **6**	27.14 **11**	36.12 **2**	14.67 16	25.42 **6**	20.15 **22**	27.07 **16**	0.19 **8**	0.33 **3**	2,08,586 **7**	7,725 **4**	2,77,353 **7**
3 / 1	Axis Bank	33.93 **2**	29.26 **4**	36.48 **5**	33.64 **3**	34.01 **2**	38.93 **3**	22.42 **19**	42.31 **4**	0.39 **2**	-0.03 **23**	1,89,238 **9**	6,416 **6**	2,42,713 **9**
4 / NA	YES Bank	71.42 1	51.26 1	54.84 1	53.88 1	38.79 1	29.09 **5**	37.88 **9**	50.37 1	0.25 **6**	0.07 **8**	45,939 **32**	1,190 **29**	59,007 **32**
5 / 9	State Bank of Hyderabad	21.46 **14**	20.94 **18**	22.52 **18**	21.76 **20**	32.78 **3**	20.26 **10**	34.79 **10**	32.76 **8**	0.04 **12**	0.11 **6**	88,628 **20**	2,319 **23**	1,06,698 **21**
6 / 2	Punjab National Bank	25.50 **7**	23.41 **12**	29.75 **9**	26.54 **9**	18.97 **10**	29.50 **4**	23.61 **17**	31.24 **10**	0.32 **4**	-0.03 **22**	3,12,899 **2**	9,056 **2**	3,78,325 **3**
7 / 10	Canara Bank	25.28 **8**	24.03 **10**	25.47 **16**	25.60 **10**	11.27 **21**	10.35 **25**	20.67 **21**	27.31 **15**	0.29 **5**	0.11 **5**	2,93,973 **5**	6,107 **7**	3,36,079 **6**
8 / 6	Andhra Bank	18.62 **21**	23.07 **13**	27.31 **10**	27.78 **7**	13.76 **17**	14.00 **16**	33.33 **13**	31.68 **9**	0.005 **21**	-0.02 **21**	92,156 **19**	2,413 **22**	1,08,901 **20**
9 / 5	Corporation Bank	25.90 **6**	28.19 **5**	37.42 **4**	30.38 **5**	27.90 **6**	25.00 **7**	22.73 **18**	27.98 **12**	0.13 **9**	-0.06 **29**	1,16,747 **17**	2,622 **20**	1,43,509 **17**
10 / 7	Indian Bank	19.92 **17**	20.12 **20**	21.09 **19**	23.61 **14**	5.54 **32**	6.66 **30**	19.81 **25**	25.65 **18**	0.03 **14**	-0.05 **28**	1,05,804 **18**	3,292 **12**	1,21,718 **18**
11 / 14	Oriental Bank of Commerce	15.63 **26**	21.33 **16**	14.87 **32**	20.68 **23**	8.78 **27**	23.69 **8**	34.01 **12**	38.59 **6**	-0.06 **28**	-0.07 **31**	1,39,054 **14**	3,245 **14**	1,61,343 **14**
12 / 12	IDBI Bank	7.65 **32**	35.22 **2**	13.67 **33**	24.09 **13**	16.78 **13**	54.99 1	52.50 **4**	47.36 **3**	-0.32 **36**	0.44 **2**	1,80,486 **10**	4,158 **10**	2,53,377 **8**
13 / 15	ICICI Bank	11.68 **29**	-2.64 **36**	19.40 **23**	-1.39 **35**	7.51 **28**	-0.88 **34**	-7.03 **34**	4.36 **34**	-0.24 **34**	0.09 **7**	2,25,602 **6**	9,048 **3**	4,06,234 **2**
14 / 8	Allahabad Bank	24.36 **11**	22.57 **14**	30.75 **6**	23.49 **16**	28.37 **5**	39.17 **2**	19.86 **24**	27.33 **14**	0.11 **10**	0.04 **12**	1,31,887 **16**	3,055 **15**	1,51,286 **16**
15 / NA	Jammu & Kashmir Bank	19.98 **16**	16.04 **30**	13.60 **34**	11.53 **33**	14.97 **15**	17.62 **12**	19.96 **23**	20.82 **25**	0.01 **18**	0.01 **17**	44,676 **33**	1,149 **32**	50,508 **36**

Last year this cluster had 31 banks. Now YES Bank, Kotak Mahindra Bank, J&K Bank, Federal Bank, State Bank of Mysore have been added; Figures in bold in each cell are ranks on respective parameters; 3-year growth is Compound Annual Growth Rate (CAGR); Values in each parameter are rounded off; NA: Not Applicable; NPA: Non-Performing Assets

State Bank of Hyderabad
has moved into the list of Top 5 banks

businesstoday.in/banks2011-ranking



STRENGTH														
QUALITY OF ASSETS			PRODUCTIVITY AND EFFICIENCY					QUALITY OF EARNINGS				CAPITAL ADEQUACY		
Total NPA Growth Ratio (%)	NPA Coverage (%)	Net NPA/ Net Advances (%)	Cost/ Income Ratio (%)	Cost/ Avg. Asset Ratio (%)	Operating Profit/ Employee (₹ cr)	Increase in Return on Assets (Basis Points)	Increase in Operating Profit/Total Income (%)	Return on Assets (%)	Fee Income/ Total Income (%)	ROCE (%)	Net Interest Income/AWF (Basis Points)	Capital Adequacy Ratio (%)	TIER I (%)	TOTAL SCORE▼
0.94	74.91	0.35	0.40	1.45	0.18	0.00085	11.73	1.18	7.38	23.50	0.0285	14.52	9.99	2,782.25
3	8	6	9	6	9	10	10	12	24	2	21	10	11	
1.00	82.51	0.19	0.48	2.86	0.14	0.00090	-0.19	1.42	14.29	16.75	0.0468	16.22	12.23	2,610.75
4	5	2	27	35	21	9	22	4	5	16	4	7	6	
1.17	74.34	0.29	0.43	2.26	0.24	0.00004	-3.58	1.40	18.74	19.34	0.0321	12.65	9.40	2,541.75
8	9	5	15	31	6	21	25	6	2	11	12	29	17	
0.18	88.63	0.03	0.36	1.43	0.30	-0.00081	-12.95	1.23	12.89	21.13	0.0274	16.50	9.70	2,498.50
1	2	1	2	5	4	26	34	9	7	8	26	6	15	
1.99	51.09	0.87	0.39	1.55	0.17	0.00162	9.47	1.09	8.66	24.35	0.0314	14.25	9.12	2,336.50
23	22	17	7	8	10	5	12	16	17	1	14	12	19	
2.02	53.45	0.84	0.41	1.89	0.16	-0.00145	1.12	1.17	9.49	22.60	0.0362	12.42	8.44	2,331.75
24	19	16	11	25	14	31	21	13	12	6	8	31	28	
1.84	24.02	1.10	0.42	1.47	0.14	0.00057	1.20	1.20	7.80	23.20	0.0267	15.38	10.87	2,305.50
21	36	24	13	7	19	16	20	11	20	4	29	8	10	
1.25	72.51	0.38	0.41	1.71	0.17	0.00006	6.48	1.16	7.17	23.24	0.0332	14.38	9.68	2,288.50
11	10	7	12	17	12	20	13	14	26	3	11	11	16	
1.08	49.67	0.46	0.39	1.29	0.19	-0.00063	-0.49	0.98	9.56	21.89	0.0238	14.11	8.69	2,278.25
6	24	8	6	3	8	25	23	18	11	7	35	14	23	
1.39	46.37	0.53	0.37	1.73	0.17	-0.00125	2.63	1.41	8.32	19.27	0.0376	13.56	11.02	2,144.75
13	26	9	4	21	13	28	17	5	19	12	7	20	9	
1.73	51.15	0.98	0.37	1.27	0.20	0.00106	17.68	0.93	5.84	15.55	0.0289	14.23	11.21	2,083.75
19	21	21	3	2	7	8	9	21	33	23	20	13	8	
1.35	39.75	1.07	0.35	0.93	0.30	0.00210	29.49	0.65	8.41	13.35	0.0183	13.64	8.03	2,066.00
12	34	23	1	1	5	3	5	30	18	27	36	19	32	
1.44	76.01	1.11	0.42	1.72	0.16	0.00160	-5.43	1.27	16.93	9.65	0.0244	19.54	13.17	1,987.50
14	6	25	14	19	15	6	28	8	4	36	34	2	5	
2.11	55.32	0.79	0.43	1.71	0.14	-0.00051	-4.34	0.94	9.10	18.65	0.0303	12.96	8.57	1,969.75
26	17	14	18	18	18	24	27	20	13	14	18	26	26	
1.17	89.74	0.20	0.40	1.63	0.15	0.00014	2.17	1.22	5.58	18.96	0.0341	13.72	11.33	1,902.25
9	1	3	8	12	16	19	18	10	35	13	10	17	7	

CASA: Current Account Savings Account; AWF: Average Working Fund; ROCE: Return on Capital Employed; The 2010 rankings were published in the issue of *Business Today* dated December 26, 2010; For explanation of parameters and how the total score was arrived at, see *How We Ranked Them* on page 106

THE 2011 RANKINGS

GROUP-I LARGE BANKS Balance sheet size greater than ₹50,000 crore

RANKS 2010/11 / 2009/10	BANK	GROWTH (%)										SIZE (₹ CR)		
		DEPOSITS		LOANS & ADVANCES		FEE INCOME		OPERATING PROFIT		INCREASE IN MARKET SHARE (BASIS POINTS)		Deposits	Operating Profit	Balance Sheet
		1-year Growth	3-year Growth	1-year Growth	3-year Growth	1-year Growth	3-year Growth	1-year Growth	3-year Growth	Deposits	CASA			
16 / NA	Federal Bank	19.29 **18**	18.40 **22**	18.56 **24**	19.12 **24**	9.76 **23**	13.56 **19**	12.84 **29**	21.58 **23**	0.01 **20**	0.02 **14**	43,015 **35**	1,427 **26**	51,456 **34**
17 / 21	HSBC	-2.94 **36**	8.28 **34**	16.72 **29**	-2.92 **36**	-4.63 **35**	-2.40 **36**	-14.64 **36**	-0.01 **35**	-0.21 **32**	-0.23 **36**	54,107 **30**	2,934 **16**	91,148 **23**
18 / NA	Kotak Bank	22.50 **12**	21.23 **17**	41.18 **3**	23.55 **15**	3.30 **33**	3.58 **33**	2.14 **31**	25.52 **19**	0.02 **17**	-0.003 **19**	29,261 **36**	1,325 **27**	50,851 **35**
19 / 13	Standard Chartered	21.22 **15**	16.44 **28**	18.41 **25**	13.84 **31**	-16.04 **36**	6.11 **31**	-10.06 **35**	8.68 **32**	0.03 **15**	-0.11 **33**	58,419 **27**	3,876 **11**	1,06,683 **22**
20 / 31	Indian Overseas Bank	31.08 **3**	19.87 **21**	41.56 **2**	22.79 **18**	30.33 **4**	11.27 **22**	55.08 **3**	12.64 **31**	0.25 **7**	0.05 **9**	1,45,229 **13**	2,861 **17**	1,78,784 **12**
21 / 19	State Bank of India	16.14 **24**	20.23 **19**	19.75 **21**	22.00 **19**	18.03 **12**	22.64 **9**	38.29 **8**	24.57 **20**	-0.31 **35**	0.53 1	9,33,933 1	25,336 1	12,23,736 1
22 / 25	Dena Bank	25.06 **9**	23.68 **11**	26.41 **14**	24.87 **11**	11.98 **19**	11.07 **23**	45.59 **6**	21.26 **24**	0.06 **11**	0.05 **11**	64,210 **25**	1,224 **28**	70,838 **29**
23 / 11	Union Bank of India	19.07 **19**	24.92 **9**	26.54 **12**	26.68 **8**	6.10 **30**	18.88 **11**	17.64 **26**	18.60 **27**	0.02 **16**	0.01 **15**	2,02,461 **8**	4,305 **9**	2,35,984 **10**
24 / 20	Bank of India	30.08 **4**	25.83 **8**	26.47 **13**	23.37 **17**	9.72 **24**	7.60 **29**	14.44 **28**	13.31 **30**	0.48 1	0.003 **18**	2,98,886 **4**	5,384 **8**	3,51,173 **5**
25 / 27	Syndicate Bank	15.87 **25**	12.52 **32**	18.11 **26**	18.57 **25**	10.27 **22**	13.61 **18**	46.76 **5**	23.26 **21**	-0.05 **27**	-0.07 **30**	1,35,596 **15**	2,750 **18**	1,56,539 **15**
26 / 23	State Bank of Patiala	5.44 **34**	11.91 **33**	10.97 **35**	12.21 **32**	25.79 **7**	11.48 **21**	34.53 **11**	31.18 **11**	-0.15 **31**	-0.03 **24**	68,066 **23**	1,759 **24**	81,286 **26**
27 / 26	Citibank N.A	4.07 **35**	7.10 **35**	10.75 **36**	1.89 **34**	5.78 **31**	-1.16 **35**	-0.42 **32**	-5.79 **36**	-0.14 **29**	-0.09 **32**	56,668 **29**	3,277 **13**	1,11,586 **19**
28 / 29	United Bank of India	14.17 **28**	18.34 **23**	26.39 **15**	24.30 **12**	15.93 **14**	17.12 **13**	72.06 1	47.78 **2**	-0.05 **26**	0.05 **10**	77,845 **21**	1,507 **25**	90,041 **24**
29 / 17	UCO Bank	18.68 **20**	22.05 **15**	20.08 **20**	21.61 **21**	9.58 **25**	11.98 **20**	58.00 **2**	41.37 **5**	0.01 **19**	-0.19 **35**	1,45,278 **12**	2,695 **19**	1,63,398 **13**
30 / NA	State Bank of Mysore	11.18 **30**	16.32 **29**	15.22 **31**	17.41 **28**	11.61 **20**	8.02 **28**	25.21 **16**	27.41 **13**	-0.05 **25**	0.01 **16**	43,225 **34**	1,174 **31**	52,032 **33**

Last year this cluster had 31 banks. Now YES Bank, Kotak Mahindra Bank, J&K Bank, Federal Bank, State Bank of Mysore have been added; Figures in bold in each cell are ranks on respective parameters; 3-year growth is Compound Annual Growth Rate (CAGR); Values in each parameter are rounded off; NA: Not Applicable; NPA: Non-performing Assets

Citibank has the highest
operating profit of ₹0.62 cr per employee

STRENGTH														
QUALITY OF ASSETS			PRODUCTIVITY AND EFFICIENCY					QUALITY OF EARNINGS				CAPITAL ADEQUACY		
Total NPA Growth Ratio (%)	NPA Coverage (%)	Net NPA/ Net Advances (%)	Cost/ Income Ratio (%)	Cost/ Avg. Asset Ratio (%)	Operating Profit/ Employee (₹ cr)	Change in Return on Assets (Basis Points)	Increase in Operating Profit/Total Income (%)	Return on Assets (%)	Fee Income/ Total Income (%)	ROCE (%)	Net Interest Income/AWF (Basis Points)	Capital Adequacy Ratio (%)	TIER I (%)	TOTAL SCORE▼
2.97	83.39	0.60	0.37	1.76	0.17	0.00077	3.83	1.14	8.97	11.98	0.0378	16.79	15.63	**1,858.50**
34	**4**	**11**	**5**	**22**	**11**	**13**	**16**	**15**	**14**	**31**	**6**	**5**	**4**	
1.09	75.01	0.91	0.43	2.41	0.46	0.00780	-10.75	1.68	18.01	11.83	0.0455	18.03	16.69	**1,847.00**
7	**7**	**18**	**16**	**32**	**3**	**1**	**33**	**2**	**3**	**32**	**5**	**3**	**2**	
0.87	65.01	0.72	0.54	3.52	0.12	0.00110	-19.64	1.61	10.07	14.50	0.0546	19.92	17.99	**1,839.75**
2	**11**	**13**	**33**	**36**	**26**	**7**	**36**	**3**	**10**	**25**	**1**	**1**	**1**	
2.17	88.51	0.27	0.40	2.66	0.50	-0.00466	-13.23	1.93	26.92	16.70	0.0531	11.88	8.90	**1,803.25**
28	**3**	**4**	**10**	**34**	**2**	**36**	**35**	**1**	**1**	**17**	**2**	**34**	**21**	
2.27	57.00	1.19	0.47	1.66	0.11	0.00061	32.53	0.60	7.59	12.73	0.0279	14.55	8.16	**1,783.00**
29	**16**	**26**	**24**	**13**	**29**	**15**	**4**	**32**	**23**	**28**	**24**	**9**	**31**	
2.61	51.25	1.63	0.48	2.02	0.11	-0.00195	22.28	0.68	12.99	12.62	0.0311	11.98	7.77	**1,705.75**
32	**20**	**35**	**25**	**27**	**28**	**35**	**7**	**28**	**6**	**30**	**16**	**33**	**35**	
1.89	34.82	1.22	0.47	1.67	0.12	-0.00024	20.27	0.86	7.72	19.55	0.0282	13.41	9.77	**1,701.00**
22	**35**	**30**	**23**	**14**	**24**	**23**	**8**	**24**	**21**	**10**	**22**	**21**	**14**	
2.16	50.22	1.19	0.48	1.83	0.15	-0.00181	-2.80	0.88	6.20	17.96	0.0297	12.95	8.69	**1,692.75**
27	**23**	**27**	**26**	**23**	**17**	**32**	**24**	**22**	**29**	**15**	**19**	**27**	**23**	
1.52	59.58	0.91	0.48	1.62	0.14	0.00075	-3.85	0.71	7.34	15.79	0.0258	12.17	8.33	**1,688.75**
15	**14**	**19**	**30**	**11**	**22**	**14**	**26**	**27**	**25**	**21**	**32**	**32**	**30**	
1.62	60.34	0.97	0.48	1.72	0.10	0.00085	33.09	0.67	6.28	16.53	0.0305	13.04	9.31	**1,671.00**
18	**13**	**20**	**28**	**20**	**32**	**11**	**3**	**29**	**28**	**19**	**17**	**25**	**18**	
2.56	55.07	1.21	0.43	1.69	0.14	0.00079	23.67	0.80	8.96	16.65	0.0313	13.41	8.66	**1,643.50**
31	**18**	**28**	**17**	**16**	**20**	**12**	**6**	**25**	**15**	**18**	**15**	**21**	**25**	
2.79	41.24	1.21	0.45	2.62	0.62	0.00376	-7.14	1.28	11.61	10.01	0.0473	17.31	16.49	**1,613.75**
33	**32**	**29**	**21**	**33**	**1**	**2**	**30**	**7**	**8**	**34**	**3**	**4**	**3**	
2.05	44.13	1.42	0.46	1.56	0.10	0.00163	43.19	0.58	5.94	11.74	0.0273	13.05	8.90	**1,531.25**
25	**29**	**33**	**22**	**9**	**30**	**4**	**1**	**34**	**30**	**33**	**27**	**24**	**21**	
3.01	42.08	1.84	0.44	1.38	0.12	-0.00182	34.82	0.55	5.80	14.36	0.0263	13.71	8.52	**1,483.75**
35	**31**	**36**	**19**	**4**	**27**	**33**	**2**	**35**	**34**	**26**	**31**	**18**	**27**	
2.46	45.83	1.37	0.44	1.88	0.12	-0.00020	10.04	0.96	8.71	15.77	0.0348	13.76	9.78	**1,460.50**
30	**28**	**32**	**20**	**24**	**25**	**22**	**11**	**19**	**16**	**22**	**9**	**16**	**13**	

CASA: Current Account Savings Account; **AWF:** Average Working Fund; **ROCE:** Return on Capital Employed; The 2010 rankings were published in the issue of *Business Today*, dated December 26, 2010; For explanation of parameters and how the total score was arrived at, see *How We Ranked Them* on page 106

THE 2011 RANKINGS

GROUP-I LARGE BANKS Balance sheet size greater than ₹50,000 crore

RANKS 2010/11 / 2009/10	BANK	GROWTH (%)										SIZE (₹ CR)		
		DEPOSITS		LOANS & ADVANCES		FEE INCOME		OPERATING PROFIT		INCREASE IN MARKET SHARE (BASIS POINTS)		Deposits	Operating Profit	Balance Sheet
		1-year Growth	3-year Growth	1-year Growth	3-year Growth	1-year Growth	3-year Growth	1-year Growth	3-year Growth	Deposits	CASA			
31 / 24	State Bank of Bikaner and Jaipur	16.92 23	16.44 27	17.14 28	18.01 26	18.89 11	13.64 17	26.17 14	19.92 26	-0.01 23	-0.03 25	53,852 31	1,140 33	62,954 31
32 / 22	State Bank of Travancore	14.30 27	18.05 24	19.72 22	17.84 27	12.97 18	9.58 26	20.95 20	18.37 28	-0.04 24	-0.04 27	58,158 28	1,176 30	70,977 28
33 / 18	Punjab & Sind Bank	21.50 13	33.98 3	30.63 8	32.47 4	19.13 9	5.36 32	15.49 27	23.15 22	0.03 13	-0.02 20	59,723 26	1,013 35	68,550 30
34 / 16	Central Bank of India	10.64 31	17.59 25	23.10 17	21.13 22	-2.27 34	8.59 27	25.89 15	26.89 17	-0.22 33	-0.16 34	1,79,356 11	2,591 21	2,09,757 11
35 / 28	Vijaya Bank	18.27 22	15.17 31	17.38 27	15.41 30	6.30 29	11.07 24	-0.97 33	16.56 29	-0.0003 22	0.02 13	73,248 22	1,047 34	81,691 25
36 / 30	Bank of Maharashtra	5.59 33	16.98 26	16.29 30	16.98 29	24.61 8	16.20 14	4.97 30	8.33 33	-0.14 30	-0.03 26	66,845 24	855 36	76,442 27

GROUP-II MID-SIZED BANKS Balance sheet size less than ₹50,000 crore and more than 10 branches

1 / 4	IndusInd Bank	28.66 4	21.76 7	27.32 10	26.93 5	33.41 5	27.65 5	53.67 5	76.66 1	0.05 2	0.09 1	34,365 1	1,082 2	45,636 1
2 / 5	Karur Vysya Bank	28.28 5	25.36 4	32.48 6	23.66 8	23.39 8	16.47 8	29.65 8	24.96 6	0.03 4	0.02 4	24,722 5	601 5	28,225 6
3 / 7	Deutsche Bank AG	-0.32 13	2.12 12	10.61 13	16.85 12	1.08 12	0.10 12	12.17 10	13.52 9	-0.05 13	0.01 5	14,646 6	1,276 1	28,680 5
4 / 9	City Union Bank	25.57 6	26.20 2	35.44 5	26.83 6	44.04 4	24.06 6	41.14 6	26.08 5	0.01 5	-0.01 13	12,914 8	361 7	14,592 9
5 / 11	South Indian Bank	29.16 2	25.17 5	29.49 7	25.15 7	26.47 7	13.39 9	27.93 9	24.74 7	0.04 3	0.004 8	29,721 3	525 6	32,820 3
6 / 15	Lakshmi Vilas Bank	22.85 8	25.66 3	28.94 8	28.01 4	44.12 3	38.58 4	64.77 4	44.82 2	0.01 7	0.01 7	11,150 10	274 10	13,301 11
7 / NA	DBS Bank	11.01 12	13.08 11	88.09 1	47.28 3	15.72 9	70.74 1	-45.64 14	35.86 3	-0.0086 11	-0.0053 11	7,368 12	299 9	23,746 7
7 / 12	ING Vysya Bank	16.74 10	13.86 10	27.53 9	17.23 10	4.17 11	12.93 10	-1.01 11	27.38 4	-0.01 10	0.02 3	30,194 2	635 4	39,014 2

Last year this cluster had 20 banks. Now there are 14. YES Bank, Kotak Mahindra Bank, J&K Bank, Federal Bank, and State Bank of Mysore have moved up to the large category; We did not receive Nainital Bank's annual report, so it has not been considered; State Bank of Indore has merged with SBI; Catholic Syrian Bank is a new entry; Bank of Rajasthan has merged with ICICI Bank; NA: Not Applicable; Figures in bold in each cell are ranks on respective parameters; 3-year growth is Compound Annual Growth Rate (CAGR); Values in each parameter are

IndusInd Bank's
deposits grow by 28.66%

STRENGTH														
QUALITY OF ASSETS			PRODUCTIVITY AND EFFICIENCY					QUALITY OF EARNINGS				CAPITAL ADEQUACY		
Total NPA Growth Ratio (%)	NPA Coverage (%)	Net NPA/ Net Advances (%)	Cost/ Income Ratio (%)	Cost/ Avg. Asset Ratio (%)	Operating Profit/ Employee (₹ cr)	Change in Return on Assets (Basis Points)	Increase in Operating Profit/Total Income (%)	Return on Assets (%)	Fee Income/ Total Income (%)	ROCE (%)	Net Interest Income/AWF (Basis Points)	Capital Adequacy Ratio (%)	TIER I (%)	TOTAL SCORE▼
1.61 **17**	59.14 **15**	0.83 **15**	0.53 **32**	2.17 **29**	0.10 **33**	0.00015 **18**	5.83 **14**	0.88 **23**	10.23 **9**	20.91 **9**	0.0318 **13**	11.68 **35**	7.92 **34**	**1,432.50**
1.76 **20**	46.00 **27**	0.98 **22**	0.48 **29**	1.69 **15**	0.10 **31**	-0.00126 **29**	2.13 **19**	1.03 **17**	7.62 **22**	23.09 **5**	0.0273 **28**	12.54 **30**	9.00 **20**	**1,420.00**
1.02 **5**	43.92 **30**	0.56 **10**	0.49 **31**	1.57 **10**	0.13 **23**	-0.00130 **30**	-6.53 **29**	0.77 **26**	5.88 **32**	16.39 **20**	0.0256 **33**	12.94 **28**	8.35 **29**	**1,348.75**
1.20 **10**	64.62 **12**	0.65 **12**	0.61 **35**	2.04 **28**	0.08 **35**	0.00018 **17**	5.37 **15**	0.60 **33**	5.43 **36**	15.14 **24**	0.0282 **23**	11.64 **36**	6.31 **36**	**1,273.75**
3.02 **36**	41.14 **33**	1.52 **34**	0.58 **34**	1.89 **26**	0.09 **34**	-0.00081 **27**	-8.69 **32**	0.64 **31**	5.90 **31**	12.63 **29**	0.0264 **30**	13.88 **15**	9.88 **12**	**911.00**
1.60 **16**	47.27 **25**	1.32 **31**	0.66 **36**	2.23 **30**	0.06 **36**	-0.00186 **34**	-8.24 **31**	0.43 **36**	7.13 **27**	9.68 **35**	0.0276 **25**	13.35 **23**	8.02 **33**	**777.75**
0.82 **6**	72.61 **5**	0.28 **3**	0.48 **7**	2.49 **7**	0.15 **4**	0.0027 **5**	16.44 **5**	1.27 **4**	12.06 **6**	17.94 **3**	0.0353 **4**	15.89 **2**	12.29 **4**	**1,090.50**
0.34 **2**	93.92 **1**	0.08 **1**	0.42 **2**	1.72 **4**	0.13 **5**	-0.0006 **11**	4.73 **7**	1.47 **3**	8.54 **11**	22.12 **2**	0.0315 **7**	14.41 **5**	13.07 **3**	**1,002.25**
0.70 **5**	81.45 **3**	0.23 **2**	0.47 **5**	3.94 **13**	0.88 **1**	0.0062 **3**	-6.05 **10**	2.20 **1**	18.04 **2**	11.98 **7**	0.0572 **1**	15.03 **3**	14.30 **2**	**942.25**
1.50 **10**	57.31 **11**	0.52 **9**	0.37 **1**	1.66 **3**	0.13 **6**	0.0015 **6**	12.86 **6**	1.47 **2**	10.18 **8**	23.47 **1**	0.0333 **5**	12.75 **11**	11.84 **5**	**921.00**
0.59 **4**	73.94 **4**	0.29 **4**	0.47 **4**	1.59 **2**	0.09 **8**	-0.0002 **10**	3.80 **8**	0.89 **5**	5.27 **14**	17.57 **4**	0.0279 **11**	14.01 **6**	11.27 **6**	**894.00**
1.91 **11**	53.81 **12**	0.90 **10**	0.45 **3**	1.92 **6**	0.10 **7**	0.0047 **4**	38.86 **3**	0.76 **8**	9.73 **9**	12.40 **6**	0.0319 **6**	13.19 **9**	10.78 **9**	**782.25**
1.01 **7**	72.02 **6**	0.31 **6**	0.48 **6**	1.28 **1**	0.48 **2**	-0.0090 **14**	-51.60 **13**	0.54 **10**	16.99 **3**	7.34 **10**	0.0269 **12**	14.98 **4**	9.84 **10**	**733.25**
1.12 **8**	40.94 **14**	0.39 **8**	0.62 **10**	2.82 **8**	0.09 **9**	0.0010 **8**	-15.67 **11**	0.82 **7**	13.59 **4**	12.87 **5**	0.0292 **8**	12.94 **10**	9.36 **13**	**733.25**

rounded off; NPA: Non-Performing Assets; CASA: Current Account Savings Account; AWF: Average Working Fund; ROCE: Return on Capital Employed; The 2010 rankings were published in the issue of *Business Today*, dated December 26, 2010; For explanation of parameters and how the total score was arrived at, see *How We Ranked Them* on page 106

THE 2011 RANKINGS

GROUP-II MID-SIZED BANKS Balance sheet size less than ₹50,000 crore and

RANKS 2010/11 / 2009/10	BANK	GROWTH (%)										SIZE (₹ CR)		
		DEPOSITS		LOANS & ADVANCES		FEE INCOME		OPERATING PROFIT		INCREASE IN MARKET SHARE (BASIS POINTS)		Deposits	Operating Profit	Balance Sheet
		1-year Growth	3-year Growth	1-year Growth	3-year Growth	1-year Growth	3-year Growth	1-year Growth	3-year Growth	Deposits	CASA			
9 / 17	Karnataka Bank	15.19	17.12	20.17	16.96	27.60	17.71	36.21	-3.11	-0.01	0.01	27,336	355	31,693
		11	9	12	11	6	7	7	11	12	6	4	8	4
10 / 18	Dhanlaxmi Bank	76.51	51.43	81.08	62.77	86.61	52.85	74.34	14.87	0.07	0.05	12,530	67	14,268
		1	1	2	1	1	2	3	8	1	2	9	12	10
11 / 16	RBS (ABN)	-15.99	-9.65	-21.30	-19.71	-3.98	-8.68	-25.91	-1.92	-0.10	-0.10	13,947	863	22,001
		14	14	14	14	13	13	12	10	14	14	7	3	8
12 / 14	Ratnakar Bank	28.84	22.86	62.77	48.16	52.77	38.97	-42.40	-17.16	0.003	0.001	2,042	19	3,230
		3	6	3	2	2	3	13	13	8	9	14	14	14
13 / 19	Development Credit Bank	17.19	-2.62	23.46	1.63	-7.74	-15.68	78.29	-7.75	-0.0009	-0.002	5,610	86	7,372
		9	13	11	13	14	14	2	12	9	10	13	11	13
14 / NA	Catholic Syrian Bank	25.04	17.95	39.25	23.36	7.70	7.69	337.08	-22.95	0.01	-0.01	8,726	34	9,829
		7	8	4	9	10	11	1	14	6	12	11	13	12

Last year this cluster had 20 banks. Now there are 14. YES Bank, Kotak Mahindra Bank, J&K Bank, Federal Bank, and State Bank of Mysore have moved up from mid-size to the large category;

GROUP-III SMALL BANKS Balance sheet size greater than ₹3,000 crore and less than 10 branches

1 / 7	JPMorganChase Bank	7.64	24.44	242.10	48.41	-5.41	-18.49	14,475.58	18.07	-0.0113	0.0017	6,384	830	14,963
		2	1	1	1	6	7	1	5	3	2	2	1	2
2 / NA	Mizuho Corporate Bank	-43.52	14.49	132.36	43.20	87.31	38.50	232.54	54.75	-0.0131	0.0017	671	130	3,940
		7	2	2	2	1	1	2	1	4	1	7	7	7
3 / 4	Bank of America NA	9.13	12.65	61.36	19.28	14.42	-0.72	18.78	12.20	-0.0090	-0.0116	5,992	750	12,168
		1	4	3	4	3	6	5	6	2	5	3	2	3
4 / 2	Scotia Bank	5.80	-0.90	24.21	9.68	5.36	9.51	-2.11	23.97	-0.0077	-0.0054	3,655	324	9,427
		3	7	6	6	4	4	6	3	1	4	5	5	5
5 / 5	Bank of Tokyo-Mitsubishi UFJ	-24.78	7.63	57.34	31.68	0.18	31.85	65.17	20.23	-0.0169	-0.0255	1,654	259	6,952
		6	5	4	3	5	2	3	4	5	7	6	6	6
6 / 3	BNP Paribas	-7.45	12.82	45.83	13.06	18.55	19.07	-5.22	10.04	-0.0231	-0.0152	4,646	378	10,695
		5	3	5	5	2	3	7	7	6	6	4	4	4
7 / 6	Barclays Bank PLC	-4.74	-0.79	9.86	2.87	-12.07	5.47	64.61	45.66	-0.0291	-0.0042	6,740	544	23,852
		4	6	7	7	7	5	4	2	7	3	1	3	1

DBS, which was No. 1 last year, has moved up to the mid-size category; Mizuho Corporate Bank has moved up from the very small category; Figures in bold in each cell are ranks on respective parameters; 3-year growth is Compound Annual Growth Rate (CAGR); Values in each parameter are rounded off; NA: Not Applicable; NPA: Non-performing Assets

JPMorganChase takes the No. 1 spot

with 242% growth in loans & advances

more than 10 branches

STRENGTH

QUALITY OF ASSETS			PRODUCTIVITY AND EFFICIENCY					QUALITY OF EARNINGS				CAPITAL ADEQUACY		TOTAL SCORE▼
Total NPA Growth Ratio (%)	NPA Coverage (%)	Net NPA/ Net Advances (%)	Cost/ Income Ratio (%)	Cost/ Avg. Asset Ratio (%)	Operating Profit/ Employee (₹ cr)	Change in Return on Assets (Basis Points)	Increase in Operating Profit/Total Income (%)	Return on Assets (%)	Fee Income/ Total Income (%)	ROCE (%)	Net Interest Income/AWF (Basis Points)	Capital Adequacy Ratio (%)	TIER I (%)	
2.04	60.08	1.62	0.61	1.87	0.06	0.0003	20.46	0.65	8.23	9.60	0.0215	13.33	11.27	658.00
13	9	12	9	5	10	9	4	9	12	8	14	7	6	
0.58	59.06	0.30	0.84	3.08	0.02	-0.0011	3.55	0.18	12.43	4.06	0.0243	11.80	9.41	626.25
3	10	5	13	9	13	12	9	13	5	11	13	12	12	
4.58	71.73	1.65	0.54	4.37	0.40	0.0126	-18.03	0.82	20.29	7.65	0.0504	11.65	8.33	599.50
14	7	13	8	14	3	2	12	6	1	9	2	13	14	
0.32	67.97	0.36	0.83	3.55	0.02	-0.0053	-56.37	0.38	9.12	1.71	0.0375	56.41	55.93	599.00
1	8	7	12	12	12	13	14	11	10	14	3	1	1	
1.31	84.36	0.97	0.71	3.19	0.04	0.0157	55.78	0.29	11.83	3.52	0.0291	13.25	11.10	532.75
9	2	11	11	10	11	1	2	12	7	12	9	8	8	
2.02	41.91	1.74	0.90	0.03	0.01	0.0010	240.58	0.12	7.04	2.60	0.02909	11.22	9.42	390.75
12	13	14	14	11	14	7	1	14	13	13	10	14	11	

We did not receive Nainital Bank's annual report, so it has not been considered; State Bank of Indore has merged with SBI; Catholic Syrian Bank is a new entry; Bank of Rajasthan has merged with ICICI Bank

0.00002	99.99	0.00006	0.20	1.52	3.75	0.0315	3882.31	3.24	9.30	14.05	0.0384	22.99	22.33	507.50
5	5	5	2	3	1	1	1	2	6	2	6	3	3	
0	100.00	0	0.29	1.77	0.85	0.0090	103.45	1.85	13.97	3.65	0.0386	87.25	86.86	450.00
1	1	1	4	4	6	3	2	4	2	6	5	1	1	
0	100.00	0	0.32	2.80	2.32	0.0087	-3.48	3.47	8.06	12.77	0.0434	14.51	14.12	439.50
1	1	1	5	6	2	4	5	1	7	3	2	6	6	
0.0019	100.00	0	0.14	0.63	1.67	-0.0060	-11.43	2.03	10.61	16.60	0.0269	18.59	16.64	419.75
6	1	1	1	1	3	7	6	3	4	1	7	4	4	
0	89.16	0.01	0.21	1.10	1.16	0.0015	39.67	1.46	9.74	3.89	0.0405	58.67	57.76	377.25
1	6	6	3	2	4	5	3	6	5	5	3	2	2	
0	100.00	0	0.42	2.75	1.13	-0.0016	-17.44	1.76	16.38	9.76	0.0461	11.92	8.46	360.00
1	4	1	6	5	5	6	7	5	1	4	1	7	7	
5.60	84.43	1.46	0.58	3.37	0.56	0.0302	39.33	0.42	11.07	1.81	0.0388	14.89	14.36	297.00
7	7	7	7	7	7	2	4	7	3	7	4	5	5	

CASA: Current Account Savings Account; AWF: Average Working Fund; ROCE: Return on Capital Employed; The 2010 rankings were published in the issue of *Business Today*, dated December 26, 2010; For explanation of parameters and how the total score was arrived at, see *How We Ranked Them* on page 106

GROUP-IV VERY SMALL BANKS Balance sheet size less than ₹3,000 crore and

RANKS 2010/11 / 2009/10	BANK	GROWTH (%)										SIZE (₹ CR)		
		DEPOSITS		LOANS & ADVANCES		FEE INCOME		OPERATING PROFIT		INCREASE IN MARKET SHARE (BASIS POINTS)		Deposits	Operating Profit	Balance Sheet
		1-year Growth	3-year Growth	1-year Growth	3-year Growth	1-year Growth	3-year Growth	1-year Growth	3-year Growth	Deposits	CASA			
1 / 1	Shinhan Bank	14.46	33.13	28.97	25.42	38.10	46.63	16.50	27.88	-0.0005	-0.0048	792	54	1,395
		1	1	3	1	2	2	3	2	2	6	2	1	2
2 / 3	Oman Inter. Bank S.A.O.G	-3.37	-2.12	22.22	14.16	13.23	255.95	14.91	127.54	-0.0007	-0.0001	166	12	397
		5	4	4	3	3	1	4	1	3	1	5	5	6
3 / 9	Societe Generale	6.15	-13.31	68.51	22.07	896.71	22.34	356.73	10.88	-0.0018	-0.0004	888	51	2,995
		3	6	1	2	1	4	1	4	6	2	1	2	1
4 / 8	Bank of Bahrain & Kuwait B.S.C	-0.04	9.19	-0.96	10.95	6.95	22.41	179.32	17.37	-0.0017	-0.0010	515	21	746
		4	3	6	4	4	3	2	3	5	5	4	3	5
5 / 6	Antwerp Diamond Bank N.V.	-4.06	-11.75	34.41	7.98	-38.82	11.20	-34.27	1.95	-0.0002	-0.0004	55	20	903
		6	5	2	5	6	5	5	5	1	3	6	4	4
6 / 5	Abu Dhabi Commercial Bank	8.04	10.93	18.32	3.61	-4.57	-21.90	-34.40	-25.93	-0.0010	-0.0006	565	7	949
		2	2	5	6	5	6	6	6	4	4	3	6	3

Last year this cluster included nine banks. This year Mizuho has moved up to the small banks category; We did not receive Mashreq Bank and Krung Thai Bank's annual reports, so they have not been considered; Figures in bold in each cell are ranks on respective parameters; 3-year growth is Compound Annual Growth Rate (CAGR); Values in each parameter are rounded

How We Ranked Them

The data used was based on published annual reports of banks and Reserve Bank of India's *Profile of Banks, 2010/2011*. Data taken was for the period 2003/04 to 2010/11. The ranking covers 63 scheduled commercial banks that provided their annual reports at the time of conducting the study. For foreign banks having zero non-performing assets, or NPAs, the coverage was graded at 100 per cent, according them the highest rank in this category.

Three broad parameters were divided into 27 sub-parameters.

Growth: Over 2009/10 in deposits, loans and advances, fee income (commissions, exchange, brokerage + miscellaneous income), operating profit, absolute market share of deposits, absolute market share of current account savings account, or CASA; three-year compound annual growth rate, or CAGR, of total deposits, loans and advances, fee income, and operating profit.

Size: Total deposits, operating profit and balance sheet size for financial year 2010/11.

Strength:

- **Quality of Assets:** Total NPA growth ratio: Additions to NPAs during the year expressed as a percentage of the average net advances; NPA coverage: provisions for NPA expressed as a percentage of gross NPA closing balance; Net NPAs/Net Advances: Gross NPAs net of provisions expressed as a percentage of net advances.
- **Productivity and Efficiency:** Cost to Income Ratio: Operating expenditure expressed as a percentage of operating income; Cost to Average Asset Ratio: Operating expenditure expressed as a percentage of average assets; Operating Profit per Employee: Operating profit divided by total employees; Absolute Increase in Return on Assets: Basis points increase in return on assets (net profit over total assets) from FY 2009/10 to FY 2010/11; Percentage increase in ratio of operating profit to total income from FY 2009/10 to FY 2010/11.
- **Quality of Earnings:** Return on assets: ratio of net profit to total assets for FY 2010/11; Fee income as a percentage of total income; Return on Capital Employed: Reported net profit divided by average net worth; net interest income as a percentage of average working funds.

Shinhan Bank's CAR is the highest at 50.73%

less than 10 branches

STRENGTH														
QUALITY OF ASSETS			PRODUCTIVITY AND EFFICIENCY					QUALITY OF EARNINGS				CAPITAL ADEQUACY		
Total NPA Growth Ratio (%)	NPA Coverage (%)	Net NPA/ Net Advances (%)	Cost/ Income Ratio (%)	Cost/ Avg. Asset Ratio (%)	Operating Profit/ Employee (₹ cr)	Change in Return on Assets (Basis Points)	Increase in Operating Profit/Total Income (%)	Return on Assets (%)	Fee Income/ Total Income (%)	ROCE (%)	Net Interest Income/AWF (Basis Points)	Capital Adequacy Ratio (%)	TIER I (%)	TOTAL SCORE▼
0	100.00	0	0.25	1.48	0.71	-0.0046	-6.82	1.82	6.73	6.70	0.0499	50.73	49.51	**488.00**
1	1	1	**1**	1	**2**	**5**	**4**	**3**	**5**	**3**	1	1	1	
0	100.00	0	0.38	1.83	0.33	0.0060	6.80	2.90	44.30	6.73	0.0167	45.64	45.47	**411.25**
1	1	1	**3**	**4**	**4**	**2**	**3**	1	1	**2**	**6**	**2**	**2**	
0	100.00	0	0.53	2.11	0.59	0.0051	145.06	0.70	26.68	5.61	0.0267	16.23	15.62	**379.25**
1	1	1	**5**	**5**	**3**	**3**	1	**5**	**2**	**5**	**4**	**6**	**6**	
0.29	66.03	0.93	0.46	2.39	0.21	0.0157	130.04	1.92	10.67	13.87	0.0408	23.28	22.89	**344.25**
5	**5**	**4**	**4**	**6**	**5**	**1**	**2**	**2**	**4**	1	**2**	**5**	**4**	
0.01	100.00	3.04	0.37	1.49	0.81	-0.0133	-17.56	-1.60	22.17	-6.88	0.0272	33.73	22.54	**276.25**
4	1	**6**	**2**	**2**	1	**6**	**5**	**6**	**3**	**6**	**3**	**4**	5	
4.64	59.12	2.89	0.66	1.79	0.17	-0.0026	-37.15	0.87	3.81	6.09	0.0234	45.25	44.26	**240.00**
6	**6**	**5**	**6**	**3**	**6**	**4**	**6**	**4**	**6**	**4**	**5**	**3**	**3**	

off; NPA: Non-Performing CASA: Current Account Savings Account; AWF: Average Working Fund; ROCE: Return on Capital Employed; The 2010 rankings were published in the issue of *Business Today*, dated December 26, 2010; For explanation of parameters and how the total score was arrived at, see *How We Ranked Them* below

•Capital Adequacy: Capital adequacy ratio: Capital-to-risk weighted assets ratio for FY 2010/11; Tier-I Capital: Total of equity capital and disclosed reserves.

The KPMG team

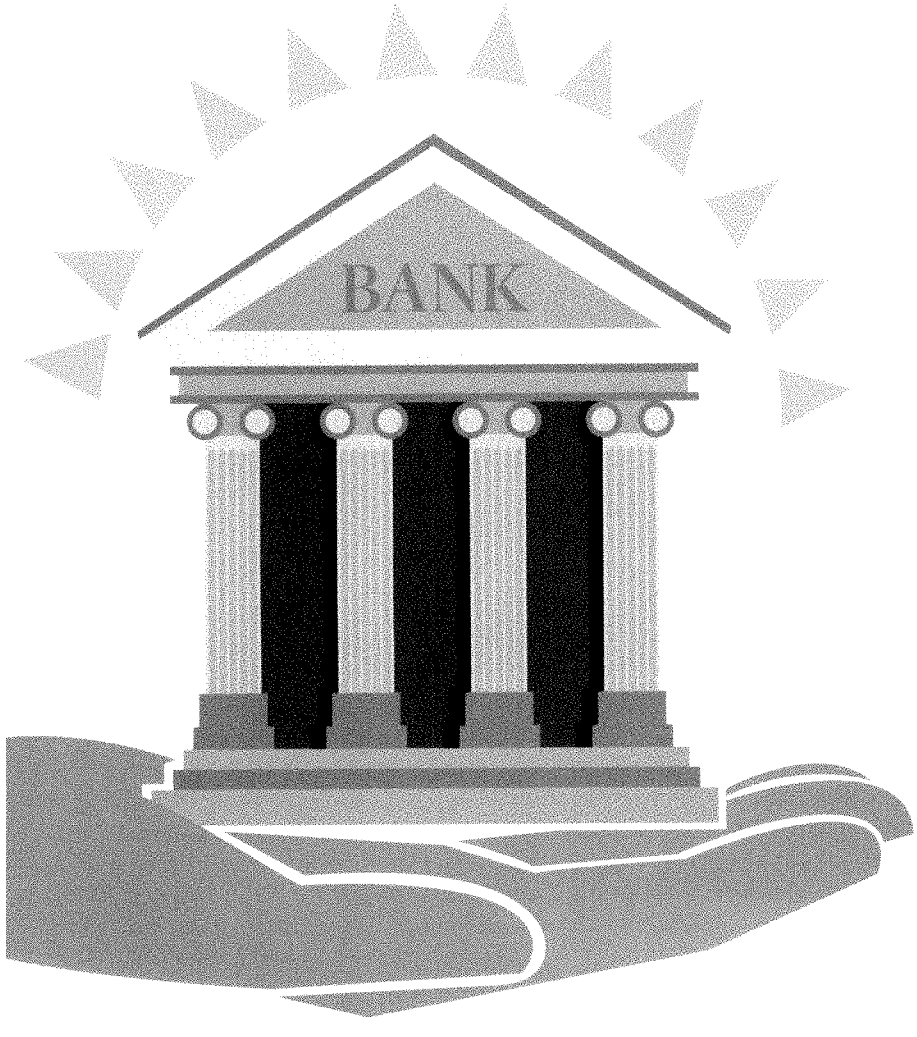
The process: Banks were grouped into four sets. Set A: 36 banks with balance sheet size greater than ₹50,000 crore; Set B: 14 banks with balance sheet size less than ₹50,000 crore, and more than 10 branches; Set C1: Seven banks with balance sheet size more than ₹3,000 crore and 10 or less branches; Set C2: Six banks with balance sheet size less than ₹3,000 crore and less than 10 branches. To compute a bank's total score, it was assigned a score for each of the 27 parameters, based on its ranks on the parameters. The score under each parameter was multiplied by the parameter's weightage. The results were aggregated to arrive at the total score.

The KPMG Team that conducted the survey: Abizer Diwanji, Partner, Corporate Finance & Head of Financial Services, KPMG India; Ravi Trivedy, Partner, KPMG Advisory Services; Akeel Master, Partner, BSR & Co; KPMG India Partners Naresh Makhijani, Manoj Kumar Vijai and Venkataramanan Vishwanath; Natasha Wig, Manager, Financial Services, KPMG India; Kunal Jain, Assistant Manager, Financial Services, KPMG India; Neha Balani, Analyst, Financial Services, KPMG India; Rishi Malhotra, Assistant Manager, Financial Services, KPMG Global Services; Manisha Arora, Analyst, Financial Services, KPMG Global Services; Sameer Mota, Senior Manager, BSR & Co; Rayomand Gandhi, Assistant Manager, BSR & Co; Pritesh Shroff, Executive, BSR & Co; Deepashri Boga, Senior, BSR & Co; Forum Mehta, Senior, BSR & Co; and Rewa Pednekar, Staff Accountant, BSR & Associates ◆

Chindia Banking Play

Size eludes Indian banks, but they are neck and neck with Chinese banks when it comes to strength or productivity and efficiency.

Graphics by **Santosh Kushwaha**



Down to Size

Balance sheet size in ₹ crore

Source: *BT*-KPMG Best Banks Survey 2011, *BT* research

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Credible Chhattisgarh
विश्वसनीय छत्तीसगढ़

I found

a Buddhist monastery that dates back to the eighth century.

I found the city Huien Tsang described as a pillar of Buddhism. I found the Buddha within me.

A good trip lets you discover new things about the world. A great trip also lets you see the world with new eyes. Which is exactly the effect Chhattisgarh will have on you.

The city of Sirpur has the remnants of the medieval Buddhist era, is a treasured place for Buddhists and historians. It was also visited by the famous Chinese traveller Huien Tsang in the 7th century CE, who described the city as a pillar of Buddhism in the central region.

Come, discover a history as old as time itself, along with virgin forests, exotic flora and fauna and an ancient tribal culture. In the process, you might also learn surprising things about yourself and those close to you.

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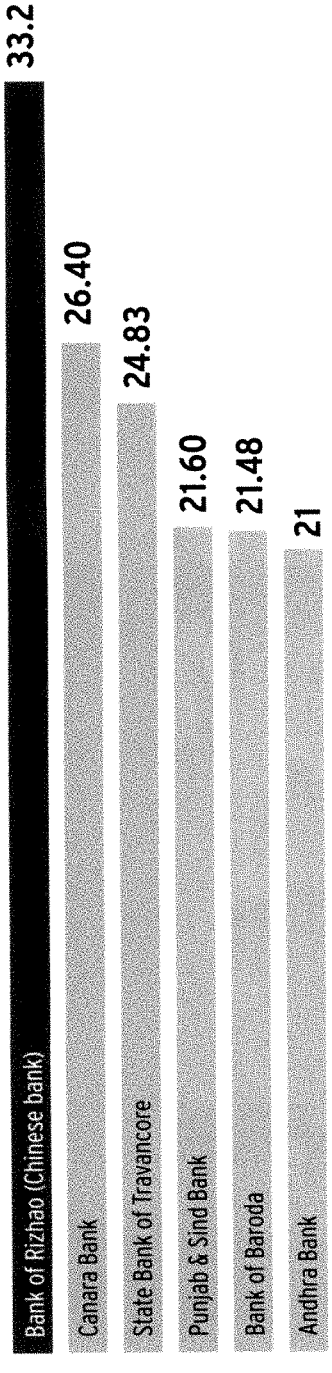
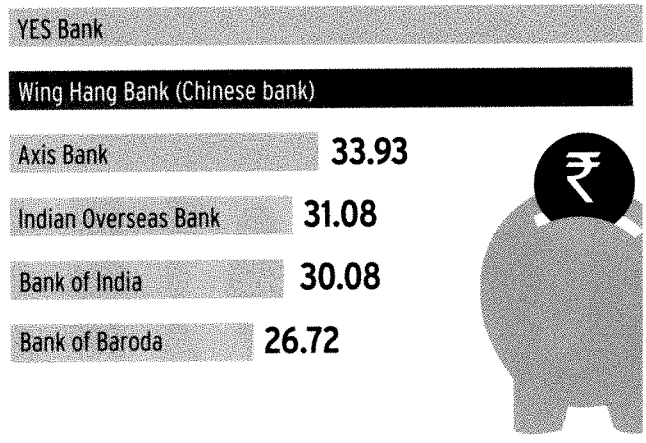
Laughing All the Way to the Bank

Return on equity in %



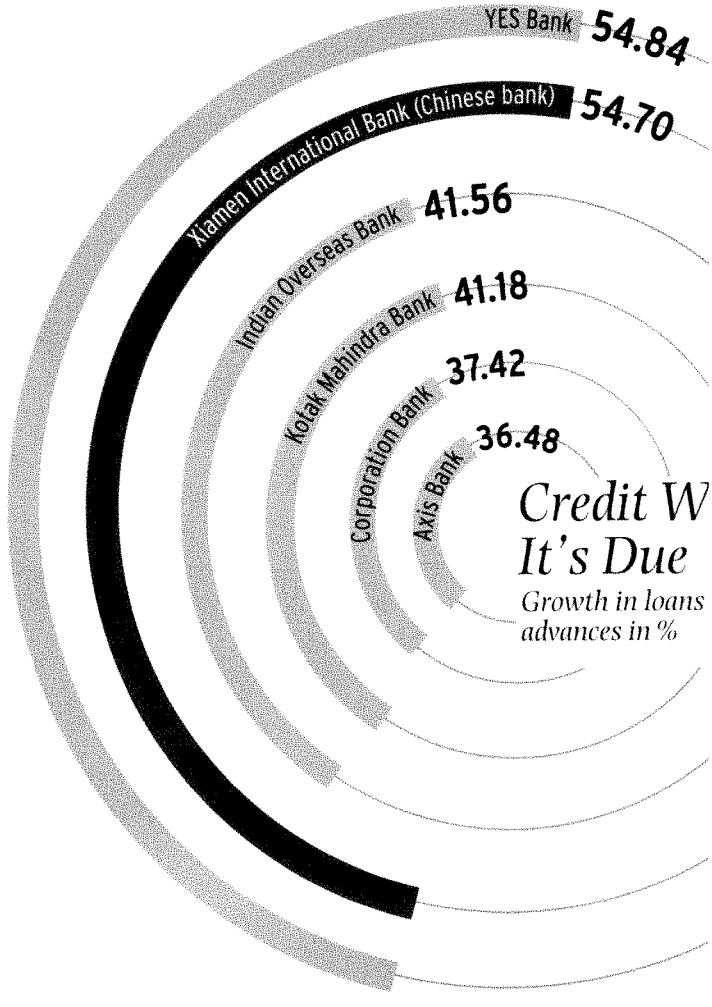
Depositors' Darling

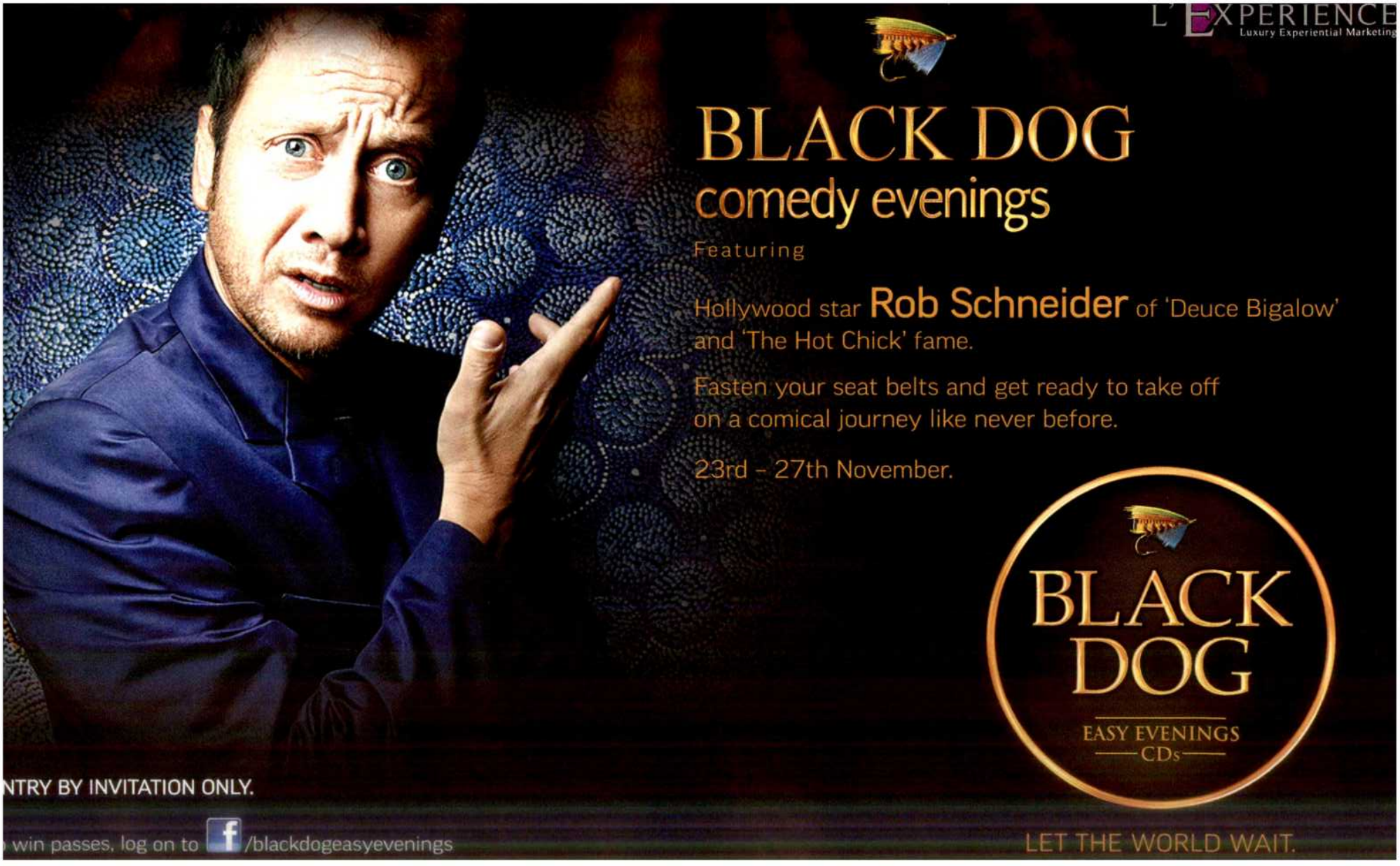
Growth in deposits in %



Credit W It's Due

Growth in loans advances in %

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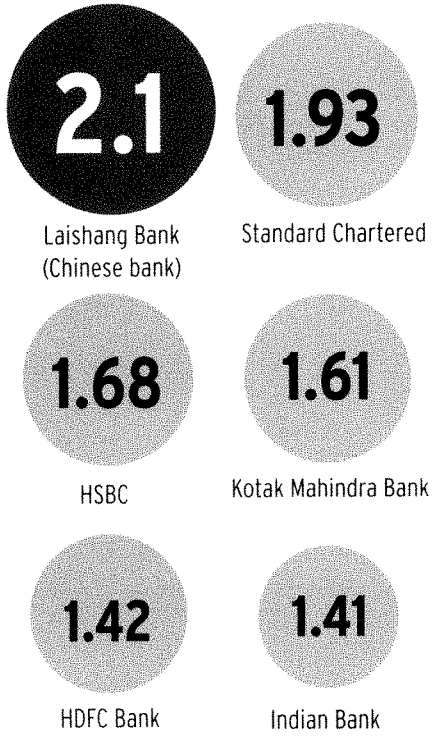
Asset Light

Return on assets in %

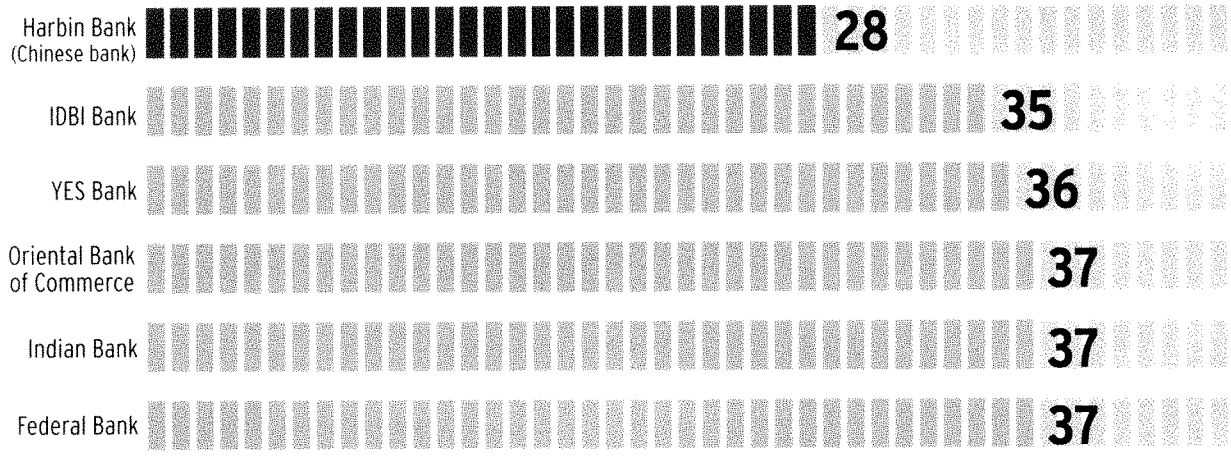


Best Asset Quality

BANKS	Net NPAs
YES Bank	0.03%
HDFC Bank	0.19%
J&K Bank	0.20%
First Sino Bank (Chinese bank)	0.20%
Standard Chartered	0.27%
Axis Bank	0.29%

Keeping a Check on Cost

Cost to income in %



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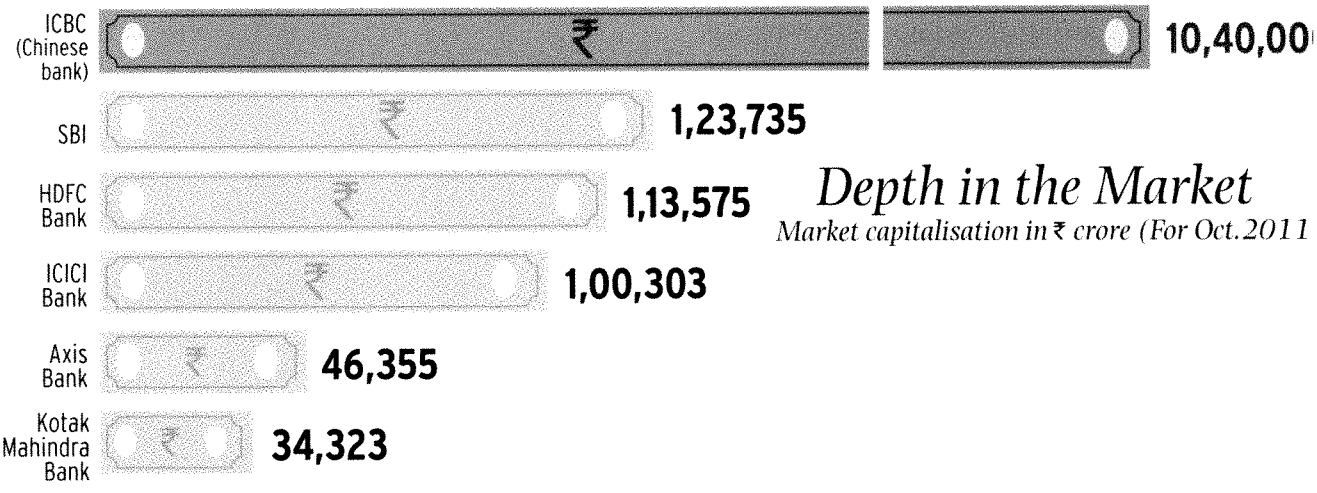
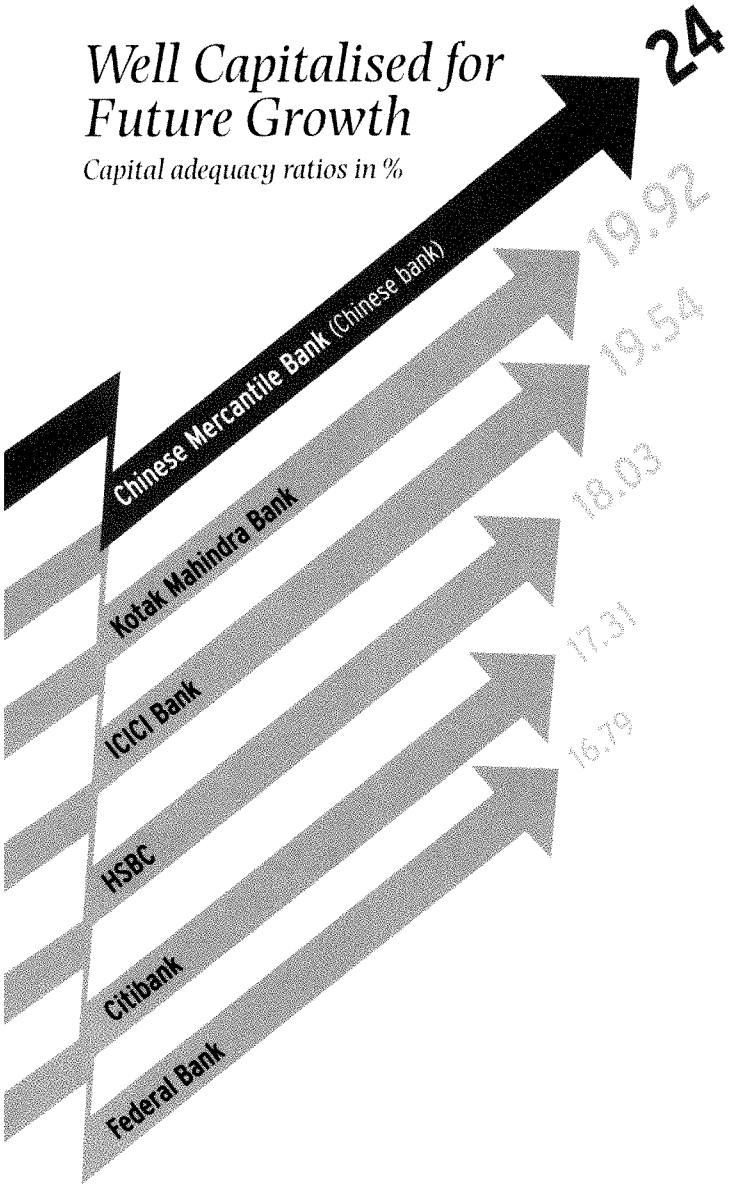


Depth in the Market

Market capitalisation in ₹ crore (For Oct. 2011

Well Capitalised for Future Growth

Capital adequacy ratios in %



The change in the No. 1 slot i BT's Best Banks surveys ove the years tells its own tale

2011	Bank of Baroda
2010	Axis Bank
2009	Axis Bank
2008 (Dec)	Bank of India
2008 (Feb)	HDFC Bank
2007	HDFC Bank
2006	HDFC Bank
2005	HDFC Bank
2003	HDFC Bank
2002	ABN AMRO Bank
2001	Bank of America
1999	Corporation Bank
1998 (Nov)	Bank of America
1998 (April)	Bank of America
1997	Citibank
1996	Bank of Tokyo-Mitsubishi UF
1995	American Express Bank
1993	Bank of America

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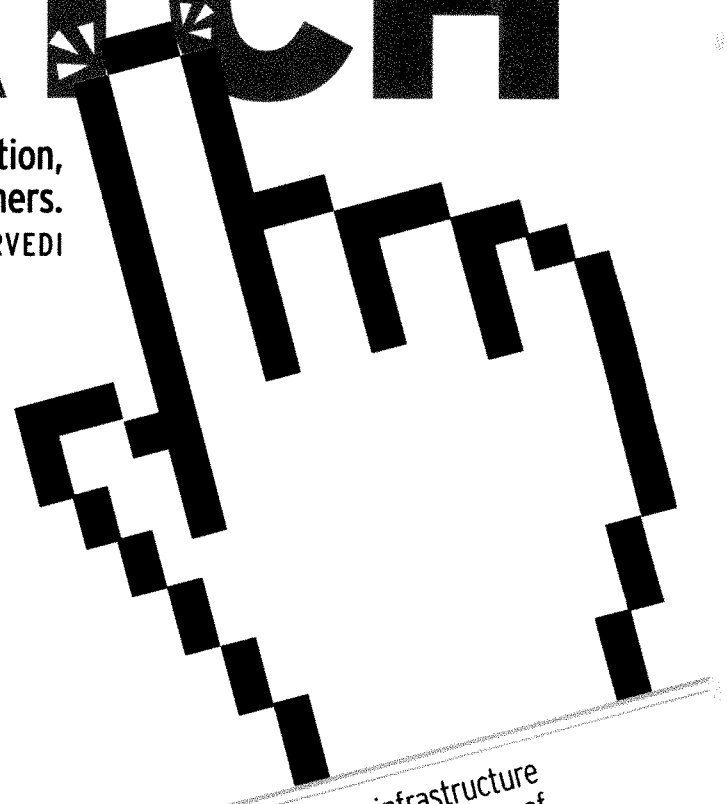
CLICK BOOK WATCH

E-ticketing websites gain traction, pull out all stops to lure customers.

By ANUMEHA CHATURVEDI



"Unlike overseas, where organisers manage the infrastructure for ticketing, in India, ticketing companies have to take care of everything from printing to selling them... to home deliveries"

Ashish Hemrajani, Founder, BookmyShow.com

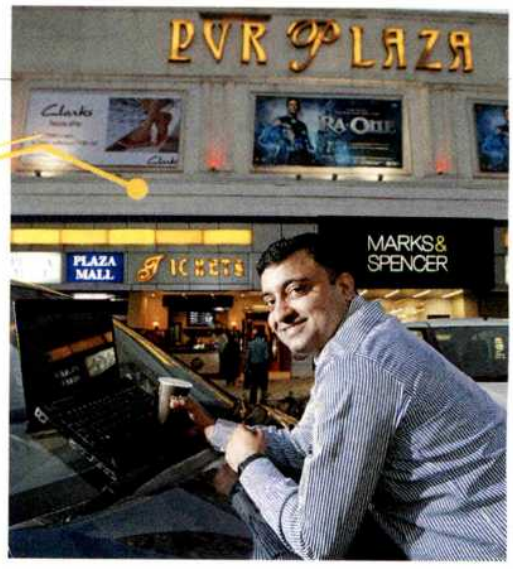
PHOTOGRAPHS BY RACHIT GOSWAMI/WWW.INDIATODAYIMAGES.COM

While on vacation in Delhi in the summer of 2006, New York-based investment banker Neetu Bhatia was dismayed to find the facility of booking tickets for shows online was practically non-existent in India. In the United States, she would book all such tickets through global online ticketing agents such as ticketmaster.com. "Soon after I returned to New York, my brother in Delhi called me asking what I thought about setting up an Indian Ticketmaster," she says. She was game. In April 2007, Bhatia, her brother Akash and a common friend Arpita Majumdar, launched the site KyaZoonga.com.

Starting with movies, KyaZoonga has since diversified, selling online tickets for such events as singers Bryan Adams and Akon's shows when they toured India earlier this year, as well as for all the recent top sporting events: the Cricket World Cup, the Indian Premier League matches and Formula 1 racing. It now sells around 250,000 to 300,000 tickets a month, only 25 per cent of them for film shows. "India may have been late in waking up to online ticketing, but in terms of technology and features, we are at par or even better than most overseas websites," says Bhatia.

KyaZoonga has had a relatively smooth run so far. Not so the site BookmyShow.com, currently the biggest online ticketing site today.

For a more detailed report go to
www.businesstoday.in/eticketing



"There has been a 25 to 30 per cent growth in traffic on our site since we revamped it, adding many new features"
Jitender Verma, Chief Information Officer, PVR

selling around a million tickets a month. Started way back in 1999 by three friends, Ashish Hemrajani, Parikshit Dar and Rajesh Balpande, it struggled to survive till the dotcom bust of 2001 put it out of its misery. "Internet connectivity was poor and we were way ahead of our times," says Dar. But it was revived in 2007, and in its second coming has been a runaway success, expanding at a compound annual growth rate of 40 per cent for the past four years. "As connectivity improved, banks started encouraging credit card transactions which worked in our favour," says Hemrajani.

Paid a commission of ₹15 or above for each ticket sold, online ticketing companies now control a ₹650 to 700 crore market. "The numbers should double in the next few years," says Dar. Predictably they have made greater inroads in South India – with its higher Internet penetration and vast number of cinemas – than in the North. A host of smaller companies like NoMoreQueue, Films N Tickets and Limata have arisen, with operations confined mainly to South Indian towns. (NoMoreQueue has limited operations in parts in the North as well.) "The action is in South India," says Rama Raju, CEO of NoMoreQueue. "Fans here want to watch their favourite stars' movies at any cost."

Ticketing companies are also working overtime to ensure public enthusiasm continues to rise. KyaZoonga and BookmyShow, for instance, team up with select retail outlets to sell their tickets. BookmyShow also has ticket booking applications on the Android, BlackBerry, iPhone and Symbian mobile operating systems. It even has a Facebook page. Ticket Buddy, through which it sells tickets.

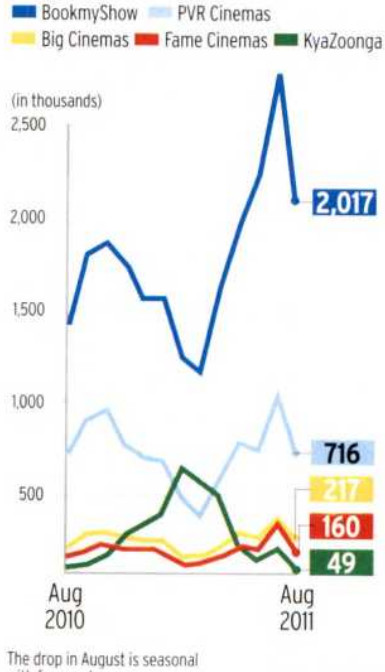
Many of the multiplexes, such as PVR Cinemas, Fame Cinemas and INOX Movies, have their own ticketing websites as well. PVR revamped its decade-old website last July, providing much more information than before: details of the films being currently shown, and the ones to follow, with the facility of pre-booking even the latter. It also lists the snacks available, along with the option of pre-ordering them at a discount, along with the tickets. "There has been a 25 to 30 per cent growth in traffic on the site since the revamp," says Jitender Verma, Chief Information Officer at PVR.

But there are challenges, too, chief among them the Internet's limited reach in India. "More broadband networks need to be built, the cost of 3G telephony needs to come down," says Hemrajani of BookmyShow. Again, these companies are saddled with many more responsibilities than their Western counterparts. "Unlike overseas, where organisers manage the infrastructure for ticketing, in India, ticketing companies have to take care of everything from printing the tickets to selling them online as well as at the venue and at retail outlets, to home deliveries," says Hemrajani.

Online ticketing, however, has enabled event organisers to earn much more from ticket sales than they used to. Earlier ticket sales were haphazard, with organisers relying much more on sponsorships to recover their investment. "Formerly 90 per cent of the money earned came from sponsorships," says KyaZoonga's Bhatia. "But now ticket sales comprise 60 to 70 per cent of the revenues." ◆

Rising Competition

Visitors to online ticketing sites have jumped for leading sites in the past year



The drop in August is seasonal with fewer releases

Source: comScore

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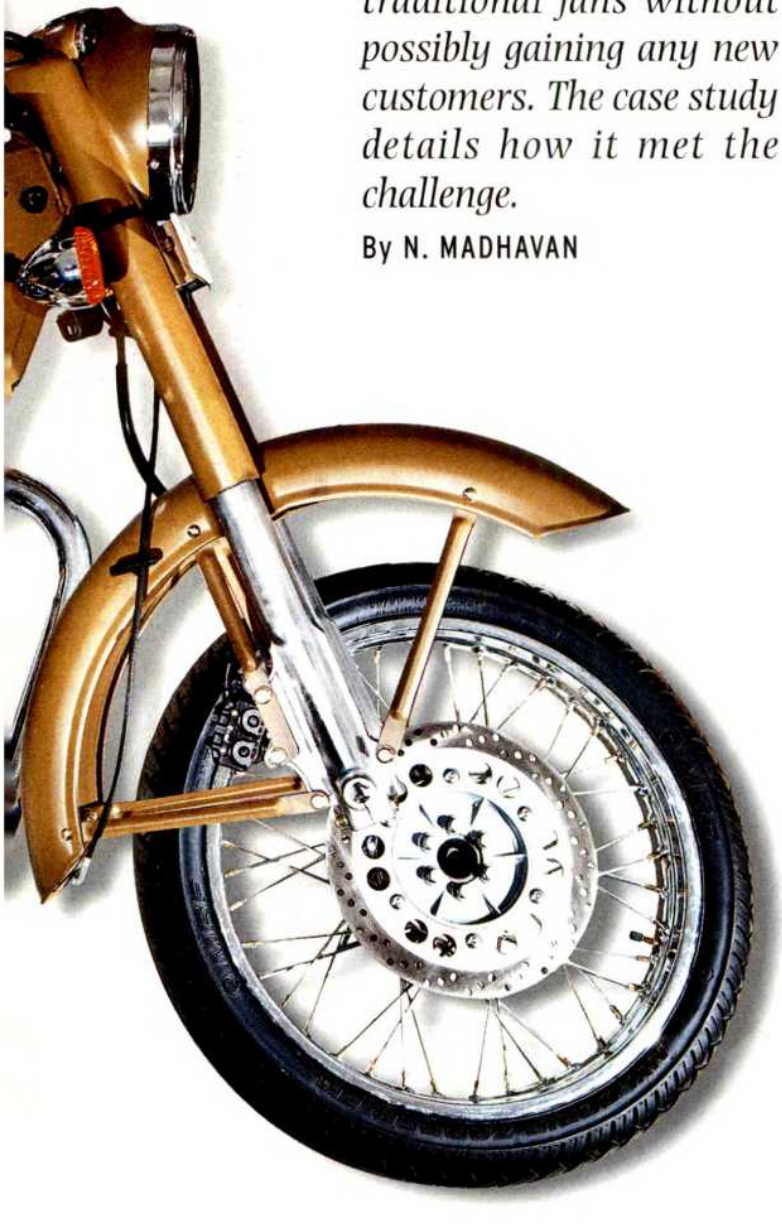
Biting the Bullet

PHOTOGRAPH BY SHEKHAR GHOSH AND IMAGING BY RAVI

Executive Summary: *Senior managers at Eicher Motors faced a tough choice. They had been given one final chance to revive the loss making Royal Enfield – their motorcycle division. For that they wanted to modernise the bikes to appeal to a wider customer base. But existing customers wanted their Bullets just the way they had always been. By modernising, Royal Enfield risked losing traditional fans without possibly gaining any new customers. The case study details how it met the challenge.*

By N. MADHAVAN



The year 2000 could have been decisive. That was when the board of directors at Eicher Motors decided to either shut down or sell off Royal Enfield – the company's Chennai-based motorcycle division, which manufactured the iconic Bullet motorbikes. For all its reputation, the sales of the bike was down to 2,000 units a month against the plant's installed capacity of 6,000; losses had been mounting for years. Though the bikes had diehard followers, there were also frequent complaints about them – of engine seizures, snapping of the accelerator or clutch cables, electrical failures and oil leakages. Many found them too heavy, difficult to maintain, with the gear lever inconveniently positioned and a daunting kick-start.

Just one person stood up to the board, insisting Royal Enfield should get another chance. He was Siddhartha Lal, a third generation member of the Delhi-based Lal family, promoters of the Eicher group of companies. Lal, then 26, was an unabashed Bullet fan: he even rode a red-coloured Bullet while leading the *baraat* (procession) to his wedding venue, instead of the traditional horse. "The board agreed to give me a chance," says Lal. "It was not because of its confidence in me, but because the business was doing so badly it could hardly get any worse."

Lal felt Royal Enfield could still be saved. The bike had its reputation, a cult following, an instantly recognisable build, and aspirational value. Changes had to be made to keep up with the times and make the bike more acceptable, and therein lay the problem. Royal Enfield fans liked the bikes exactly the way they had always

The petrol tank's design was left largely untouched as it contributes to the bike's sturdy, vintage look

THE PROBLEM
Despite the bikes' fan following, the motorcycle division was bleeding

THE WAY OUT
Appealing to a wider base, making the products more reliable

THE CHALLENGE
Modernising the bikes without taking away their unique identity

THE SUCCESS
Modern technology used, but vintage look retained; improved management practices

been. "We needed changes to attract new customers but by doing so risked losing existing ones," says R.L. Ravichandran, whom Lal brought in as CEO in 2005 as part of his revival effort. Ravichandran had earlier worked with both TVS Motor and Bajaj Auto. "We were in a peculiar situation," he adds.

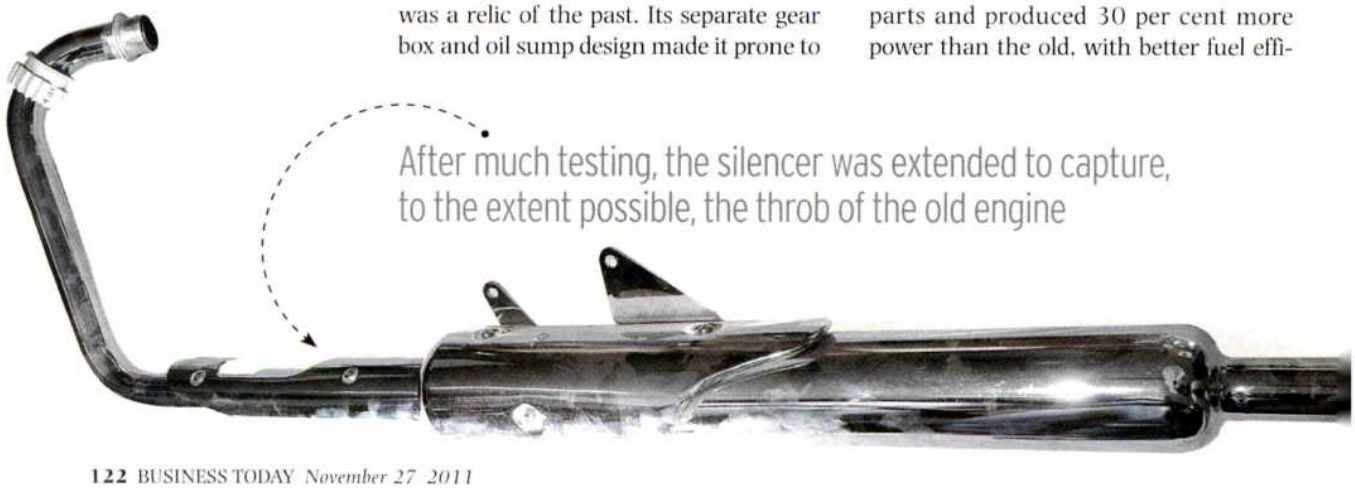
The change had to be a calibrated one. The mistaken notions of prospective customers had to be addressed, and any reservations about Bullet and Thunderbird, which was launched in 2002, removed. At the same time, Lal and Ravichandran were clear that the individuality of Royal Enfield bikes should not be compromised. "We did not want to go down the commuter route, but instead looked at the leisure segment," says Ravichandran.

Retaining the bikes' rugged looks was a given, including the build, the design of the head lamp and the petrol tank. But should the gears be shifted close to the rider's left foot – as in most bikes – or retained on the right side? The question gave Lal and his team many sleepless nights, since long time users were dead opposed to the change. The engine was another thorny question. The old cast iron engine was a relic of the past. Its separate gear box and oil sump design made it prone to oil leaks and it seized up very often. Its ability to meet increasingly strict emission norms was also suspect. A modern aluminium engine would eliminate these problems, but it would lack the old engine's pronounced vibrations and beat – which Royal Enfield customers loved. Laws of physics made it impossible to replicate these with the new engine.

There are many global examples of auto companies going under following a radical change in the engine of their products. Yet Lal and his team proceeded to both alter the position of the gears and design a new engine. "We retained many of the old engine's characteristics – the long stroke, the single cylinder, the high capacity with push rod mechanism," says Ravichandran. But the new engine, unlike the old, had hydraulic tappets, a new engine arrangement, new metal and fewer moving parts. Obviously, it did not produce the vibrations and the beat of the old, but international experts were consulted and sound mapping carried out for over 1,000 hours to ensure it produced the maximum rhythmic vibrations possible and a beat, which was 70 per cent of the amplitude of the original.

The new engine had 30 per cent fewer parts and produced 30 per cent more power than the old, with better fuel effi-

After much testing, the silencer was extended to capture, to the extent possible, the throb of the old engine



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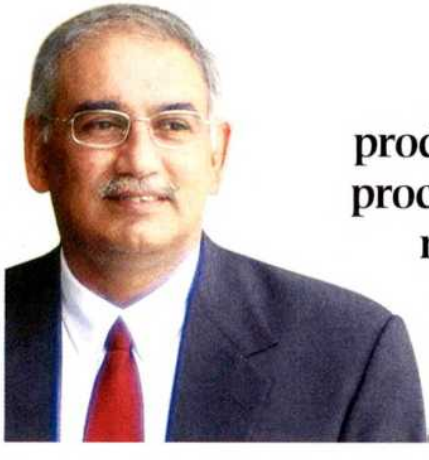
NEEDS MORE RESEARCH FOCUS

Royal Enfield's turnaround is an ideal case study in product planning, process and brand management. More important Siddhartha Lal's and R.L. Ravichandran's passion to do the right thing, to remain patient, and keep an ear open for the customer, has been transmitted through the rank and file of the company, and that has ultimately made all the difference.

A number of quality initiatives have made the Royal Enfield product a significantly better proposition today than say in the 1990s. But customers, particularly the urban recreation seeking ones, still tend to crib about its reliability. The 'bike cubs' love their Bullets, but when it is a ride to Leh they are contemplating, they still cross their fingers. Rural and small urban centre customers, albeit with different performance expectations, are now also starting to look for greater comfort and better fuel efficiency. These are today's challenges.

Clearly, greater research focus on power train and brakes is an imperative. As things stand, there is no rocket science involved in making bikes: once you have a good power train and a good frame everything else falls into place. The rest is built around efficient production and procurement systems on the one hand, and distribution and brand building on the other. While the former is well within the company's capabilities, on the latter front, Ravichandran – who has joined the Eicher board – will surely be missed.

Triumph and Harley-Davidson will not make an impact in India, but what if Japanese versions of classic bikes start being assembled in India? The response that high end Honda bikes have got in recent times is a good indicator of how consumer taste is changing.



"It is an ideal case study in product planning, process and brand management"

B. V. R. SUBBU, Bike enthusiast and former President of Hyundai Motor India

Diehard fans opposed shifting the gear lever to the left side of the bike, but the company went ahead anyway

ciency. By 2010, all Royal Enfield models had begun to use the new engine.

Two other problems needed to be addressed: the quality of some of the components Royal Enfield bikes were using, and the sales experience. To tackle the first, shop floor processes were fine tuned, while suppliers were exhorted to improve quality levels. Royal Enfield also embarked on a large scale internal exercise to tone up performance. "We declared 2006 as the year of getting back to the basics," says Ravichandran. "We also formed a field quality rapid action force to bridge the gap between customer expectations and the reality."

Slowly, the tide turned. Engine related problems and oil leakages in Royal Enfield products almost disappeared. By 2008 dealers were reporting lower workloads. Warranty claims fell sharply too. Malfunctioning of the sprag clutch, on which the electric starter depends, declined, for instance, from five per cent in 2005/06 to 0.2 per cent in 2010/11. Royal Enfield also began conducting marquee rides to promote leisure biking. "Such steps removed the fears about our products' reliability some customers may have had," says Venki Padmanabhan, who succeeded Ravichandran as CEO earlier this year after Ravichandran was elevated to the board of Eicher Motors. To improve sales experi-

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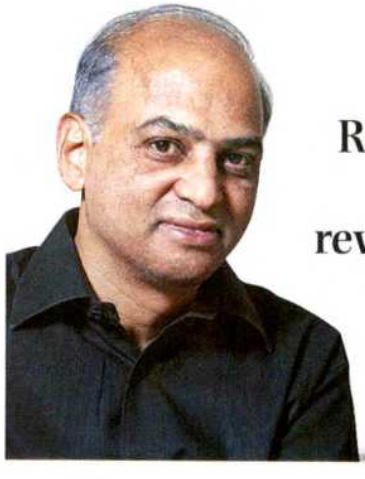
STRATEGY WILL BE KEY

For a company, success can be defined by three parameters – market share, profitability and category substitution. Royal Enfield will probably have profits but not market share if it aims to be a niche brand. It will also not look at category substitution. That means it will be profitable but not big. This goal is easy to achieve given Royal Enfield's traditional strengths. And the story so far has been good for a brand that was given up as a stretcher case. But going forward it needs to clock more revenue and profits.

While Harley-Davidson and others can be credible threats, much depends on how Royal Enfield plays its strategy. In several product categories like detergents, Indian brands have done as well as multinational brands. Then again we have the consumer electronics market where the Koreans have more or less wiped out everybody else. So what happens to Royal Enfield depends on what it does. Competition was always there and will remain.

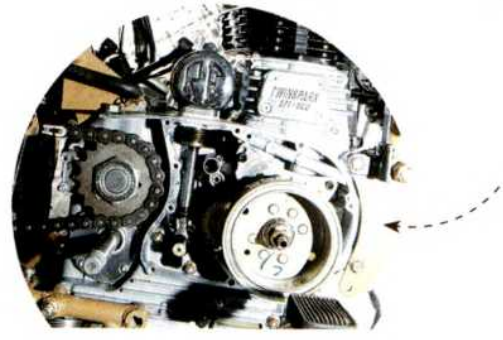
The questions before Royal Enfield now: what is the pen profile of its prospective buyer? How is this pen profile different for different offerings of Royal Enfield? For instance, Bajaj says while its 'Pulsar' is an India bike (urban), its Boxer is a 'Bharat' bike (rural). In this sense the buyers for each of the company's offerings must be clear. Also will the niche that appealed yesterday, appeal today? What should Royal Enfield do to get today's aspirers on board? What are the volumes it hopes for in this niche? How to stay profitable there? These will be the questions for tomorrow.



"Going forward, Royal Enfield needs to clock more revenue and profits"

Y. L. R. MOORTHI, Professor (Marketing), Indian Institute of Management, Bangalore

The new aluminium engine improved the bikes' performance, but could not recapture fully the beat of the old one



ence new company-owned showrooms were launched and dealerships expanded.

In October 2008, Royal Enfield launched in Germany its newly designed 500cc Classic model – inspired by J2, a 1950 model Bullet – with the new engine. It was a success, admired for its performance and fuel economy. Emboldened, Lal launched it in India in November 2009 initially as a 350 cc bike, priced at ₹1.20 lakh. This proved a hit too. "Now, our capacity utilisation is 100 per cent. Yet there is a six months waiting period for deliveries," says Venki. "We plan to double our capacity soon to 1.5 lakh bikes."

Today, Royal Enfield's problems are of a different kind. How should it scale up without diluting brand equity? It also faces challenges from iconic global brands such as Harley-Davidson which has entered the Indian market. With other options available, will its customers continue to sit out the six-month period it takes to provide deliveries?

Driving change when the chips are down is easy: there is no other option. In Royal Enfield's case the change worked for it. But can Siddhartha Lal and his team do the same when the going is good? ◆

Read also what our experts think Royal Enfield should do. We welcome your responses. Write to us at btcasestudies@intoday.com. Your views will be published in our online edition.

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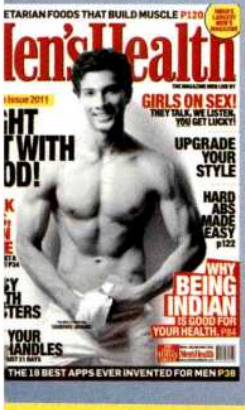

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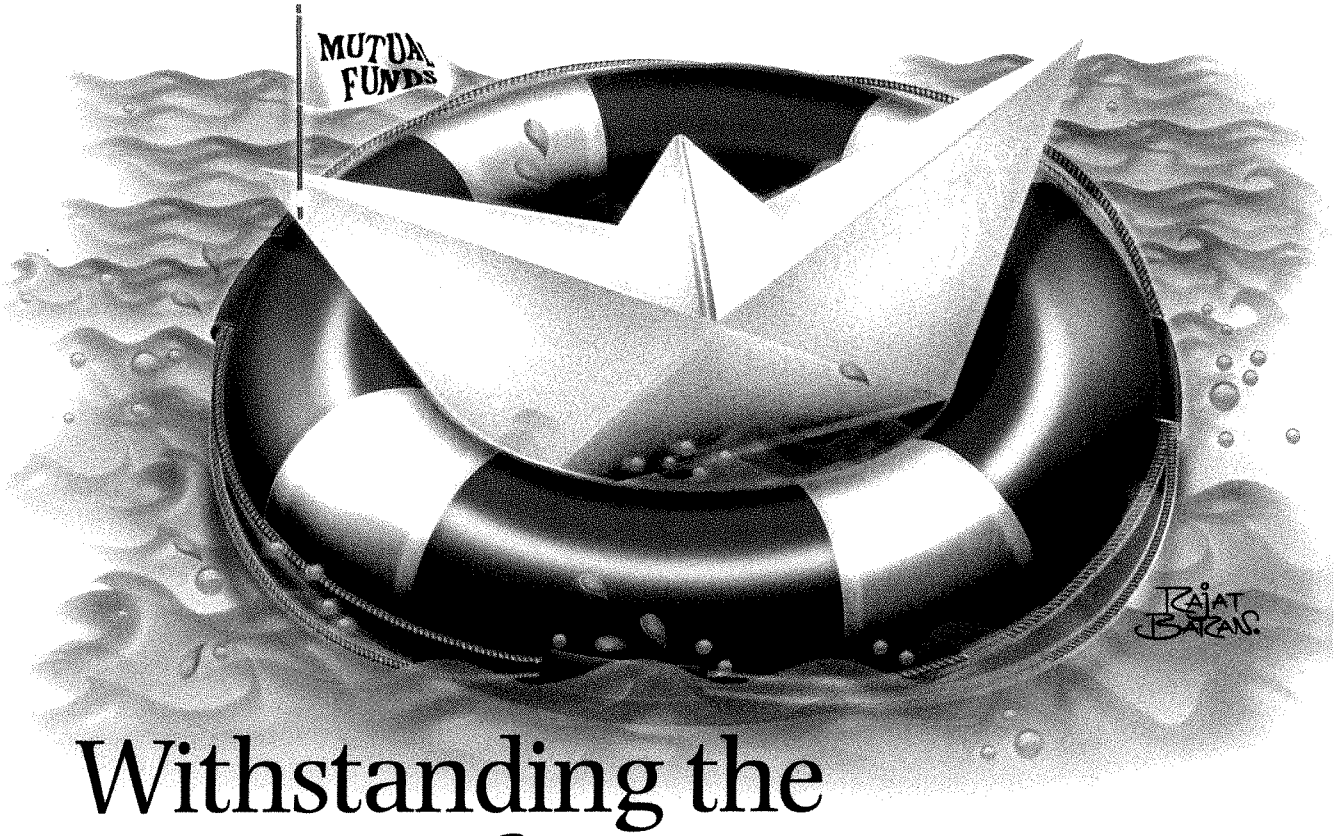
MONEY

GOOD RETURNS
GROWTH SECTORS ARE THE BEST OPTIONS FOR MUTUAL FUNDS



Withstanding the Test of Time

How to build a mutual fund portfolio that can weather all market storms.

By TANVI VARMA

The stock markets are volatile and can go either way. Companies, in the middle of the result season, are reporting all-round pressure. In such a situation, it is normal for mutual fund investors to wonder if they should change their strategy. While a periodic review of investments is often advised and is fine, financial advisors say investors should build a portfolio that can give good returns even in the toughest of times.

"Ups and downs do happen in economies and markets. One's portfolio should be capable of sailing through such conditions easily," says Sudhakar Ramasubramanian, Managing Director, Aditya Birla Money. Portfolios designed after risk profiling and those in line with the investor's long-term goals may not face turbulence, he adds

Gaurav Mashruwala, a certified financial planner, says investors should not alter their basic strat-

TOP RUNG
Best funds in the last 10 years

FUND	RETURN
Reliance Vision-Ret(G)	34
HDFC Top 200(G)	32
DSPBR Equity-Reg(D)	30
Franklin India Bluechip(G)	29
Birla Sun Life Equity(G)	28
HDFC Capital Builder(G)	27
Tata Pure Equity(G)	27
Kotak 50(D)	26
Templeton India Growth(D)	26
SBI Magnum Equity(D)	25

G: Growth; D: Dividend

SAFEST SECTORS
BSE pharma and FMCG indices have done well

FUND TYPE	1 YEAR	3 YEARS	5 YEARS
Pharma & Health Care	34	34	34
Banking and Financial Services	32	32	32
FMCG	30	30	30
Energy & Power	29	29	29
Diversified: Large-cap	28	28	28
Mid-cap	27	27	27
Infrastructure	27	27	27
Technology	26	26	26
Overseas	26	26	26
Small-cap	25	25	25

All returns in %; Source: Accord Fintech

egy based on market conditions. However, they could modify their portfolios based on regulatory or other developments. For instance, they should be on the lookout for new products and the emergence of new industries. Or, the market regulator may permit investment in a global index.

Stick to Your Plan

"Investors should build a well-rounded portfolio keeping in mind the inflation rate and real returns," says Harshendu Bindal, President, Franklin Templeton Investments (India). From a five-year perspective, they can invest 75 per cent equity allocation in diversified or large-cap funds and the rest in sector or thematic funds, he adds.

They can also either buy stocks at the current low valuations, or go for systematic investing to lower the impact of volatility. Experts recommend the latter as large-cap diversified funds are like defensive stocks which outperform other assets in the long run.

The top 10 diversified large-cap equity funds have given a compounded average annual return of 29 per cent as compared to the Bombay Stock Exchange's 18 per cent, between September 2001 and October 2011.

The 10 top diversified large-cap equity funds have had an average compound annual return of **29%** in the last 10 years

In the last five years, defensive sectors such as pharmaceutical and fast moving consumer goods, or FMCG, have outperformed the market. FMCG and health care funds have delivered average returns of 15 per cent to 22 per cent, respectively, as compared to seven per cent by large-cap equity funds.

Should investors increase exposure to these sectors? "During uncertainty, defensive sectors do come into prominence, but it is important to remember that they have limited importance for the overall portfolio," says Ramasubramanian. "You may marginally increase exposure to defensive themes, but these sectors also move down with the market."

"In a growing economy like India, growth sectors are likely to give good returns over the medium to long term," says Bindal. The focus should be on investment objective rather than short-term market trends.

"Defensive sectors may outperform over the next six months. However, their performance may even out over one or two years," says Anil Rego, CEO, Right Horizons, a financial planning firm. Sector-based funds can be the satellite part of a portfolio. However, their performance needs to be tracked closely as most people are unable to exit such funds on time, says Rego.

Investors have the choice of glo-

TOP DEBT BETS

Returns of various debt options as on October 12, 2011

FUND TYPE	1 YEAR	3 YEARS	5 YEARS
Fixed Maturity Plans	5.67	11.38	-
Floating Rate	7.67	7.12	8.20
Gilt	4.53	6.08	7.68
Gilt Short Term	5.47	5.26	6.32
Income	6.74	8.08	8.09
Income Short Term	8.14	7.99	9.31
Liquid	7.89	6.19	7.75

All returns in %; Source: Accord Fintech

9%
or more is the return that most long-term income and gilt funds have given in the last five years

bal funds offered by Indian asset management companies, or AMCs. These are typically "fund of funds" or feeder funds that invest in their parent AMC funds. As there is always a risk in having the entire portfolio in rupees, these funds balance the portfolio from the currency risk point of view. This is particularly relevant today as the rupee is losing value against the dollar and has fallen 10 per cent between August 1, 2011, and October 11, 2011.

However, experts say investors should go for funds that are truly global. This is because some funds invest more than 65 per cent of their corpus in Indian equities just to avoid paying long-term capital gains tax.

The market performance of individual countries and regions depends on a mix of fundamentals, liquidity and sentiment. Hence, investors need to focus on long-term trends and corporate fundamentals rather than just economic growth. "A US fund does not necessarily give exposure to the US economy alone, as a large number of US companies have global operations that account for a significant part of their revenue," says Bindal. Global exchange-traded funds, for instance, can be a good place to start with.

Ramasubramanian says investors with high risk appetites can take limited exposure to global funds. "Almost all overseas markets are trading low and it will be some time before they stabilise as the growth outlook for these economies is bleak," he says.

Although it is not easy to predict interest rate movements, most analysts say current rates are close to the peak. In this scenario, those in the lower tax bracket can invest in five-year fixed deposits, or FDs, which offer good returns. Else, fixed maturity plans, or FMPs, are a good option, too, with yields close to 10 per cent (see *Stellar Returns*).

"Unlike FMPs and FDs, where one is locked in at a particular yield, open-ended income funds, which are actively managed and focus on high-accrual securities, offer the twin benefits of lower sensitivity to interest rates and the potential for capital gains during monetary easing," says Bindal.

Most long-term income and gilt funds have given returns of around nine per cent over the last five years in spite of the interest rate volatility (see *Top Debt Bets*). Short-term income funds with maturity of six months to two years also offer value, says Ramasubramanian. Over the last six months to three years, short-term income funds have delivered the best returns.

You must follow a set investment plan and conduct periodic reviews to see how close you are to your objectives and whether you need any course correction. ◆

Courtesy: *Money Today*

STELLAR RETURNS

Debt funds' five-year report card

SCHEME NAME	CAGR (%)
ICICI Pru Gilt-Invest-PF	11
Canara Robeco Income(G)	10.5
Templeton India Low Duration	9.8
Escorts Income Bond(G)	9.6
Sahara Income(G)	9.5
JM Short Term-Reg(G)	9.3
ICICI Pru Gilt-Invest(G)	9.1
Templeton India ST Income(G)	9
Birla SL Dynamic Bond-Ret(G)	9
HDFC High Interest-STP(G)	8.8

Making business flow

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EARTH MOVING EQUIPMENT

An IMPACT Presentation

Constituted in 1949 as Tractor & Allied Equipment manufacturers and Importers Association Ltd., the INDIAN EARTHMOVING AND CONSTRUCTION INDUSTRY ASSOCIATION LTD. (IECIAL) started with 10 Indian member companies, primarily manufacturers and importers of tractors, earthmoving and allied equipment before being re-christened in 1986 with the objective to make the body a national point of reference for the Indian earthmoving & construction equipment industry. ECE accounts for approximately 55 percent of the construction sector in India. The industry has seen a huge increase in the revenue volumes with the growth rate being calculated to be as much as 40 per cent per year between 2004-2007. India being one of the world's fastest growing constructions equipment markets, most global OEMs are expected to strengthen their presence in India resulting in increase in the variety of products, new applications and services hence leading to growth of the industry.

FROM CHAIRMAN'S DESK

Excon 2011 with its new ideas/ trends has in the store the best opportunity for Companies to network and further strengthen the existing business and establish newer ones. Excon 2011 will be the ideal platform for not only the Indian companies but also for the International buyers & Investors.

VIPIN SONDHI
Chairman,
Excon 2011 & Managing Director and
CEO, JCB India Limited

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Escorts Construction Equipment Limited to have a significant presence at Southeast Asia's Largest Construction Equipment Fair EXCON 2011

Escorts Construction Equipment (ECEL) will be displaying fifteen (15) of its recently launched products at the fair. The products on display will include Hydra 1665, a 16T Hydra crane with hydrostatic transmission and Carraro-make axle which can reach a height of 65ft and travel at 40km/hr. This latest offering will open up a new segment for the company. Besides this, Escorts Construction Equipment will also be displaying TRX 1651, a 16T crane with can reach a height of 51ft reach. The product has a new Tata engine and can travel upto 40km/hr. Escorts will also be showcasing DIGMAX 4X4 for the first time, along with the Loader version LOADMAX. Powered by 76 hp engine, the product has been especially designed to suit the Indian conditions with 1.2 cu.mts front bucket and best in class dumping heights and payload capacities. Restyled tandem vibratory roller in both soil and tandem categories will also be on display.

Over the years, ECEL has inked exclusive marketing & distribution agreements with some of the world's best known names. Through these global partnerships, Escorts Construction Equipment, has been able to cater to the varied needs of the growing construction equipment market in India. The company will be displaying some of these products at the fair including Telescopic Handlers and Ariel Platforms from Manitou; Motor graders and Wheel loaders rom XGMA; Forklifts from Doosan; Tower cranes from Commansa-Jie and Truck cranes from Zoomlion.

Escorts Construction Equipment is also introducing safety features in its entire range of products which forms the central theme for all future product enhancements. Safe load indicator from leading Australian company Robway is the latest offering being introduced at EXCON 2011, which has especially been configured for Escorts Hydraulic Mobile cranes. Escorts Construction Equipment has taken up about 1130 sq meter of stall area at EXCON to showcase its range of products.

The critical factors for success in this industry lies in the overall value proposition that one is delivering to its customers, besides of course product features, pricing and service support delivery. Our focus is on innovative design, engineering, optimal design, productivity and efficiency for better products catering to customers' current and future needs. We have been constantly introducing new technologies and services to meet changing customer needs Our edge in this industry also comes from the pan-India presence of sales and support infrastructure that is immensely valued by our customers.

K.K VIJ,
CEO & Executive Director
Escorts Construction Equipment Limited

WE CARE, THAT'S WHY WE ARE EVERYWHERE

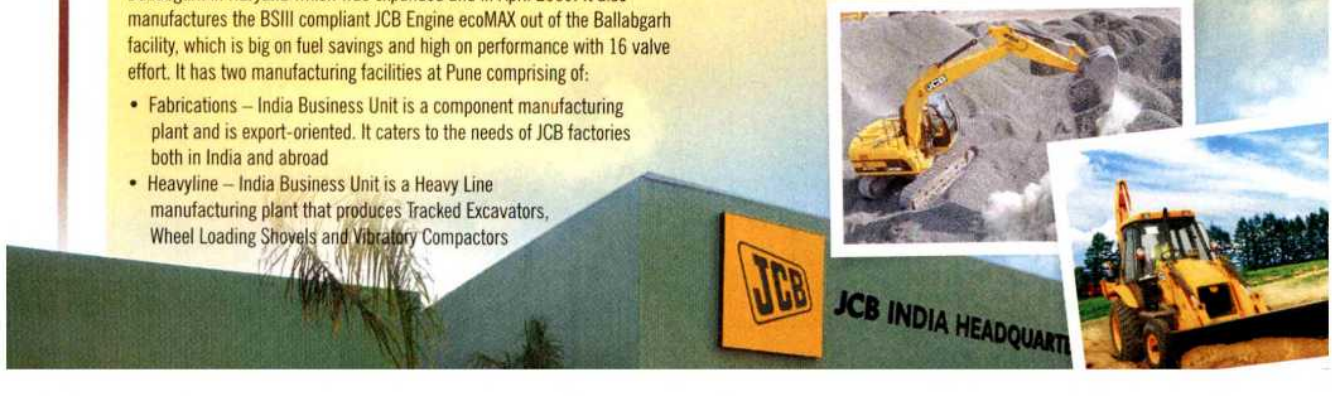
JCB is a pioneer in the industry and has been recording excellent growth rates. JCB has sold more than 1,25,000 machines and out of every two Construction equipment sold in India, one is a JCB.

JCB India Limited started operations in 1979 as a joint venture company. In 2003 JCB UK acquired 100% shares in the joint venture and today JCB is the fastest growing company in the Indian earthmoving and construction equipment industry. The company is a pioneer in the industry and has been recording excellent growth rates. The company has developed and expanded through launching revolutionary products and adherence to world class JCB corporate identity norms. Today in India, JCB has sold over 1,25,000 machines and out of every two Construction equipment sold in India, one is a JCB.

JCB India has the World's largest Backhoe Loader manufacturing facility at Ballabgarh in Haryana which was expanded and in April 2009. It also manufactures the BSIII compliant JCB Engine ecoMAX out of the Ballabgarh facility, which is big on fuel savings and high on performance with 16 valve effort. It has two manufacturing facilities at Pune comprising of:

- Fabrications – India Business Unit is a component manufacturing plant and is export-oriented. It caters to the needs of JCB factories both in India and abroad
- Heavyline – India Business Unit is a Heavy Line manufacturing plant that produces Tracked Excavators, Wheel Loading Shovels and Vibratory Compactors
- It has India's largest Parts & Technical Training Centre for construction equipment in India
- One of India's largest design centre for construction equipment

JCB India offers a diverse range of unmatched Backhoe Loaders, Wheeled Loaders, Excavators, Skid Steer loaders, Telehandler, Compactors and Pick and Carry Cranes. We implement this mission through our comprehensive Network of 54 dealers and over 400 outlets, which provide expert servicing for our world-class machines. We have a dedicated parts center in Faridabad and parts depots in Chennai, Pune and Kolkata.



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LAST BUT NOT LEAST

EXECUTIVE HEALTH 145 CAREERS 149 PEOPLEBUSINESS 154

Racy Drama

It was glitz, glamour and the small matter of 24 racing cars,
says **KUSHAN MITRA**

To adapt a popular American expression: 'What would Gautama Buddha do?' The ascetic founder of Buddhism would probably have been horrified by the sights that unfolded at the 5.14 km race circuit that bears his name. No, not by the fact that McLaren-Mercedes's Lewis Hamilton and Scuderia Ferrari's Felipe Massa crashed once more during the race – for the umpteenth time this Formula One, or F1, season – but by the obscene display of wealth there.

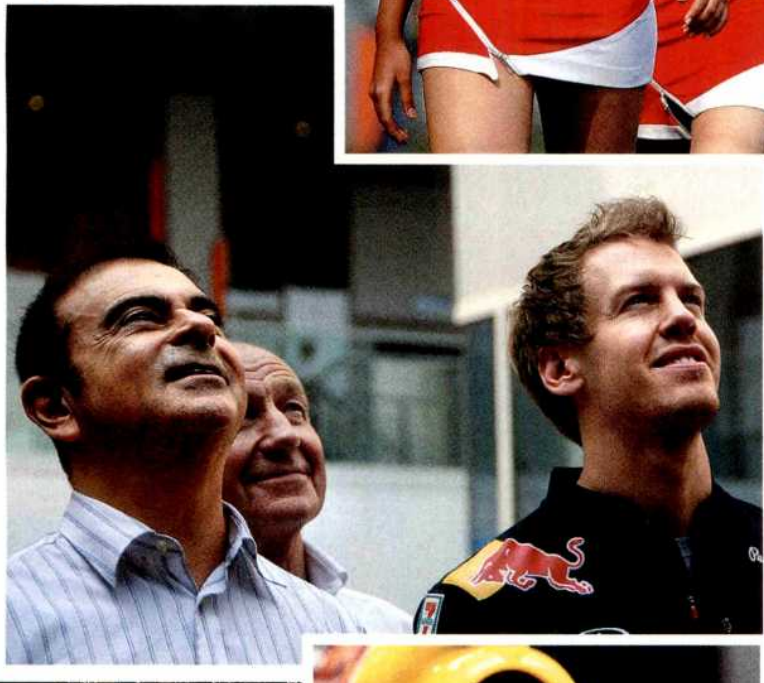
Even with ticket prices starting at ₹6,500 for the weekend and rising to ₹1 lakh, the parking lots were full. On October 30, it seemed that almost the entire Indian cricket team, and many more no longer good enough to be part of that team, along with a bevy of Bollywood beauties converged on the Buddh International Circuit, or BIC, at Greater Noida, 50 km from Delhi.

PHOTOGRAPHS BY AFP & KUSHAN MITRA

They are off: Seconds after the race starts, F1 cars storm into the first turn

Glamour quotient: 'Grid girls' parade wearing title sponsor Airtel's jackets

Winning grin: F1 world champion Sebastian Vettel (right) with Renault-Nissan CEO Carlos Ghosn



The champion: Vettel in his car

Yet, no matter how many Ferraris and Lamborghinis filled the lots, and no matter how many Bollywood stars filled the hospitality boxes and the number of times Shah Rukh Khan implored people to watch *Ra.One*, they were not the true stars of the weekend. Of course, given the insane promotion budget of *Ra.One* it was not surprising that Shah Rukh Khan's visage made it onto the nose of the two Force India F1 cars.

The true stars were the 24 F1 cars that participated in the race, each with a 2400cc V8 engine that goes at over 18,000 revolutions per minute. The roof of the grandstand has been specially designed to amplify the loud whine of the F1 engines. Even so, the noise the 24 engines made as they set off had to be heard to be believed.

Then there were the 24 drivers of these amazing cars, who drove them at speeds of over 320 km an hour. Drivers such as 2011 world champion Sebastian Vettel, who races for the Red Bull Racing team. This 24-year-old German has successfully defended his world title and in winning the Indian Grand Prix in just over 90 minutes achieved an average speed of 203.5 km an hour. Keep in mind, this was the average speed, including twists, turns and a couple of three-second pit stops.

While many in the media, especially the western media, questioned India's ability – and more so, need, given its abject poverty – to host such an event, Vettel, the youngest-ever double world champion, was gracious. "I went to see the Taj Mahal," he told mediapersons. "I know it is a touristy thing to do. But I stayed awake the whole distance and it was rather amazing to see life on the road. People here do not have an easy life, the standard of living is nowhere near that of Europe, but they look happy. I even think they are happier than many people back home."

Everybody present wanted to meet one person, not Vettel, but his idol, the seven-time world champion Michael Schumacher. Finishing fifth this time in his Mercedes GP car, he still attracted the loudest cheer of the day. The race itself was devoid of any twists on the points table – with Vettel having already won the championship – and thus was actually quite boring.

This was also an event that saw top businessmen gather to enjoy the show. Some, such as Sanjay Kapoor, Managing Director, Airtel South Asia, looked particularly pleased. His company was the title sponsor of the race. "As we become a global company our logo has to start appearing at global events, and F1 is a global sport," he said. Others such as

Tough luck: Scuderia Ferrari driver Felipe Massa (behind) takes a scooter after crashing out

Risk factor: A Sauber F1 car's engine blows up

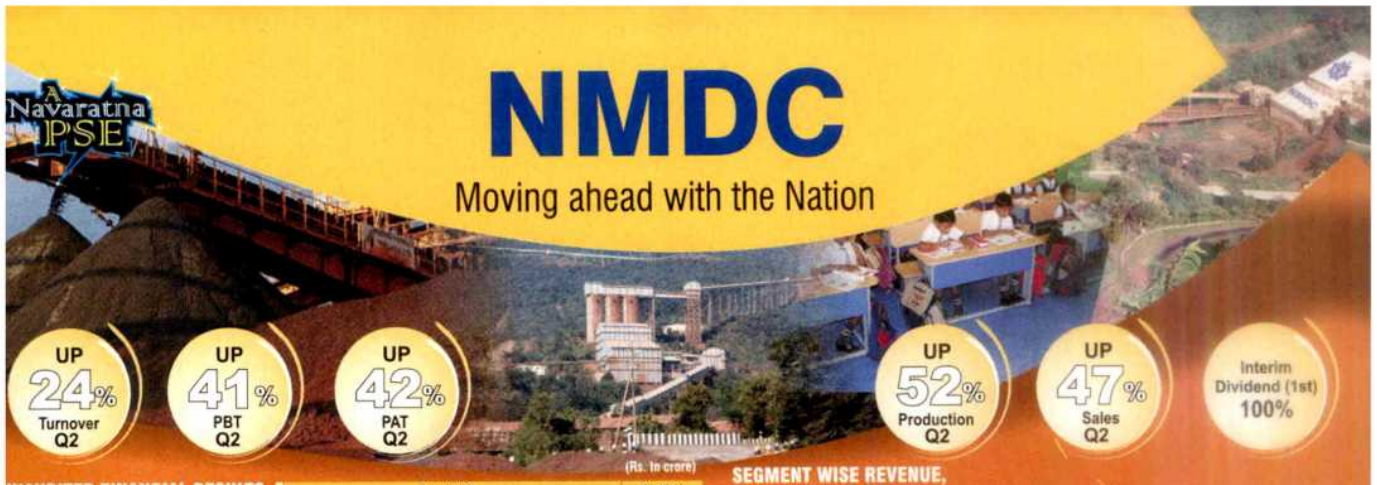
Shared interest: Force India boss Vijay Mallya (right) with cricketer Harbhajan Singh

Reunion: Cricketer Sachin Tendulkar (left) with seven-time F1 world champion Michael Schumacher

A Navaratna PSE

NMDC

Moving ahead with the Nation



UP 24% Turnover Q2

UP 41% PBT Q2

UP 42% PAT Q2

UP 52% Production Q2

UP 47% Sales Q2

Interim Dividend (1st) 100%

UNAUDITED FINANCIAL RESULTS FOR THE QUARTER ENDED 30th SEPTEMBER 2011

(Rs. In crore)

	Unaudited				Audited
	Three months ended		Six months ended		Year ended
	30-09-2011	30-09-2010	30-09-2011	30-09-2010	31-03-2011
Net sales / Income from operations	**3,062.32**	**2,459.98**	**5,844.93**	**4,977.97**	**11,368.94**
Expenditure					
a) Increase (-)/decrease (+) in stock in trade	56.86	-14.04	55.79	-37.17	-113.17
b) Consumption of raw materials	6.23	11.32	12.46	11.32	23.18
c) Consumption of Stores & spares	52.23	43.06	92.03	87.57	212.95
d) Employees Cost	134.43	126.15	263.66	236.23	492.39
e) Selling Exps incl. Freight out	59.10	189.32	101.83	315.45	863.86
f) Depreciation & DRE	32.38	29.83	66.17	53.55	124.98
g) Royalty & Cess	229.92	199.65	467.49	338.98	931.76
h) Other Expenditure	88.20	64.08	161.67	134.04	311.52
TOTAL	**659.35**	**649.37**	**1221.10**	**1139.97**	**2847.47**
Profit from operations before other income, interest & exceptional items (1-2):	2,402.97	1810.61	4623.83	3,838.00	8,521.47
Other income	502.94	245.87	944.76	467.70	1205.70
Profit before interest & exceptional items (3+4)	2,905.91	2056.48	5568.59	4305.70	9727.17
Interest	-	-	-	-	-
Profit after interest but before exceptional items (5-6)	2,905.91	2056.48	5568.59	4305.70	9727.17
Exceptional Items	-	-	-	-	-
Profit from ordinary activities before Tax (7+8)	**2,905.91**	**2056.48**	**5568.59**	**4305.70**	**9727.17**
Tax expense	942.76	677.95	1804.29	1423.13	3227.95
Net Profit from ordinary activities after tax (9-10)	1963.15	1378.53	3,764.30	2,882.57	6499.22
Extraordinary Items (net of tax expense Rs.)	-	-	-	-	-
Net Profit for the period (11-12):	**1963.15**	**1378.53**	**3,764.30**	**2,882.57**	**6499.22**
Paid-up Equity Share Capital: Face value per share	396.47 Re.1/-	396.47 Re.1/-	396.47 Re.1/-	396.47 Re.1/-	396.47 Re.1/-
Reserves excluding revaluation reserves					18,818.05
EPS for the Period (Rs.) - Basic and diluted before and after extraordinary items	4.95	3.48	9.49	7.27	16.39
	(Not Annualised)				(Annualised)
Public share holding					
Number of Shares	396297820	396297820	396297820	396297820	396297820
Percentage of shareholding	10.00	10.00	10.00	10.00	10.00
Promoters and promotor group sharholding					
a) Pledged/Encumbered					
- Number of Shares	-	-	-	-	-
- Percentage of shares (as a % of the total shareholding of promoter and promoter group)	-	-	-	-	-
- Percentage of shares (as a % of the total share capital of the company)	-	-	-	-	-
b) Non Encumbered					
- Number of Shares	3568418180	3568418180	3568418180	3568418180	3568418180
- Percentage of shares (as a % of the total shareholding of promoter and promoter group)	100.00	100.00	100.00	100.00	100.00
- Percentage of shares (as a % of the total share capital of the company	90.00	90.00	90.00	90.00	90.00

SEGMENT WISE REVENUE, RESULTS AND CAPITAL EMPLOYED UNDER CLAUSE 41 OF THE LISTING AGREEMENT

(Rs. In crore)

		Unaudited				Audited
		Three months ended		Six months ended		Year ended
		30-09-2011	30-09-2010	30-09-2011	30-09-2010	31-03-2011
1.	**Segment Revenue** (net sale / income from each segment)					
	a) Iron Ore	3,053.63	2,445.57	5,824.04	4,954.93	11,328.11
	b) Other Minerals & Services	21.21	32.96	37.24	41.59	83.60
	Total	3,074.84	2,478.53	5,861.28	4,996.52	11,411.71
	Less : Inter segment revenue	12.52	18.55	16.35	18.55	42.77
	Net sales / income from operations	**3,062.32**	**2,459.98**	**5,844.93**	**4,977.97**	**11,368.94**
2.	**Segment Results** (profit (+) / loss (-) before tax and interest from each segment)					
	a) Iron Ore	2,427.30	1,855.35	4,708.90	3,913.76	8,743.70
	b) Other Minerals & Services	14.14	-6.31	-1.49	-7.64	-14.62
	Total	2,441.44	1,849.04	4,707.41	3,906.12	8,729.08
	i) Less : interest	-	-	-	-	-
	ii) Add : Other unallocable income net off unallocable expenditure	464.47	207.44	861.18	399.58	998.09
	Total Profit before Tax	**2,905.91**	**2,056.48**	**5,568.59**	**4,305.70**	**9,727.17**
3.	**Capital Employed** (Segment assets-Segment Liabilities)					
	a) Iron Ore			1,528.34	1,662.54	1,725.61
	b) Other Minerals & Services			121.61	136.67	128.24
	c) Other offices			21,419.92	15,386.21	17,449.10
	TOTAL			**23,069.87**	**17,185.42**	**19,302.95**

STATEMENT OF ASSETS AND LIABILITES

(Rs. In crore)

Particulars	Un-audited		Audited
	Six months ended		Year ended
	30-Sep-2011	30-Sep-2010	31-Mar-2011
1. **Share Holders Fund:**			
(a) Capital	396.47	396.47	396.47
(b) Reserves and Surplus	22,582.32	16,725.17	18,818.05
Loan Funds	-	-	-
Deferred Tax Liability	105.79	84.52	102.88
TOTAL	**23,084.58**	**17,206.16**	**19,317.40**
Fixed Assets (Incl WIP)	2,088.06	1,506.60	1,776.43
Investments	142.79	134.70	135.68
Current Assets, Loans and Advances			
(a) Inventories	385.29	344.89	415.42
(b) Sundry Debtors	445.32	528.96	485.40
(c) Cash and Bank balances	20,725.47	14,653.64	17,228.06
(d) Other current assets	914.15	454.04	396.06
(e) Loans and Advances	334.05	411.20	646.62
Current Liabilities and Provisions			
(a) Liabilities	(955.23)	(696.82)	(771.88)
(b) Provisions	(1,010.02)	(151.78)	(1,008.84)
MISCELLANEOUS EXPENDITURE (NOT WRITTEN OFF OR ADJUSTED)	14.70	20.73	14.45
TOTAL	**23,084.58**	**17,206.16**	**19,317.40**

TES:

The Board of Directors has approved in its meeting held on 31-Oct-2011, an interim dividend of Rs 1.00 per equity share for the financial year 2011-12.

Action has been initiated to sell the plant and machinery of Silica Sand Project, Lalapur and UPFO Plant, Vizag.

The Company has received 49 complaints from investors (mainly in connection with FPO) and all of them have been disposed off; therefore, complaints lying unresolved at the quarter ended 30-Sep-2011 be treated as "NIL".

The above financial results have been reviewed by the Audit Committee at its meeting held on 31-Oct-2011 and approved by the Board of Directors at its meeting held on 31-Oct-2011.

For and on behalf of **NMDC Limited**
Sd/-
(Rana Som)
Chairman-Cum-Managing Director

ce : Hyderabad
: 31-Oct-2011

NMDC Limited
(A Government of India Enterprise)
10-3-311/A, Khanij Bhavan, Castle Hills,
Masab Tank, Hyderabad - 500 173, A.P. INDIA
www.nmdc.co.in

Celebration: Lady Gaga performs after the race

Warm hello: Actor Deepika Padukone hugs Sahara chief Subrata Roy with Shah Rukh Khan in the foreground

Carlos Ghosn, CEO of Renault-Nissan, made a quick in, quick out trip to watch the race and congratulate Vettel, whose Red Bull F1 car has a Renault engine. "Will we use our F1 success in our Indian advertising? Of course we will. We would be stupid not to," he said.

While the 2,000-odd celebrities and wannabe-celebrities enjoyed the free food and drink as they watched the race from above the pit-lane, many other fans – there were in all 95,000 of them – most of whom had spent huge sums to attend the race were irked by the prices of the snacks being sold, and the quality of the toilets. "I had a great time watching the race, but food and facilities could be improved before next year's race," said Shreekant Goenka, a businessman who had flown down from Ahmedabad to watch.

Another star for many who travelled to the BIC, was the road leading to it, the new Taj Expressway. The last 15 km stretch was possibly the most amazing stretch of road built in India. Like the circuit, this road, too, was built by a private sector company. It remains to be seen if the racetrack will ever recover the ₹1,700 crore that was pumped into its construction, but the legacy will last many, many decades. ◆

Bubbly delight: Vettel (middle) sprayed with champagne

Time to chill out: The party afterwards

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If Looks Were All...

Mahindra's new utility vehicle, the XUV500, is great to look at and sit inside. Wish driving it felt as good, says **Kushan Mitra**

Mahindra XUV500

Engine: Diesel, **2179cc,** 140 horsepower mHawk140

Six-speed gearbox

Seven seats

City mileage: **11 km/litre** (in test conditions)

Traction control and **six airbags** in top variants

Price (ex-showroom New Delhi): **₹10.80-12.88 lakh** (depending on the variant chosen)

Once, while speaking to this correspondent way back in 2004, Anand Mahindra had said he wanted to be the global leader in utility vehicles. Mahindra Scorpio was launched in 2001, and while it was perceived as providing great 'value-for-money', even the most generous of reviewers would have said that it was not the best utility vehicle. The XUV500 – 'five double O' not 'five hundred' – despite its seemingly silly name, seems to be the car designed by Mahindra & Mahindra from the ground-up to fulfil Anand Mahindra's dream.

It is an extremely attractive vehicle even though the front seems to be swathed in acres of plastic. The way the rear wheel arch seemingly goes up to the window line makes it look a lot larger than it is, a strange move by the designers, since the XUV500 is in any case quite massive. Its appeal lies in its sheer size. And it seems people have placed orders based on its looks. A record 9,000 units have been ordered and production is sold out for four months.

But looks apart, the driving

experience leaves much to be desired. The vehicle lacks that little bit of refinement which would have made it not merely good, but great. The top-end model of the car has features even vehicles twice its price do not. If you are not driving the behemoth, it is pretty nice to sit inside – even though I hate white cabin lights, which it has installed. The red-accented 'lounge' lights, however, are neat.

So, if you are a Mahindra Scorpio owner looking for a good vehicle to upgrade to, you have found one. ◆

X-traordinary

Despite initial production problems, the BMW X1 is taking the market by storm.

Late last year when BMW India unveiled the X1, its small sports utility vehicle, or SUV, it was dubbed a success even before the press event announcing its launch ended. Not only was it small and compact, but it would also leave a much smaller dent in the pockets of those who bought it than you would expect from a BMW brand. The X1's entry-level petrol engine model has an ex-showroom price of ₹23 lakh.

So great was the demand for the 'baby' SUV that a somewhat unprepared BMW India had to hurriedly upgrade its assembly operations in Chennai. "That led to some problems at the start of the year, in terms of getting deliveries to customers," says Andreas Schaff, President, BMW India. Buyers such as Aditya Bhadauria, a 32-year-old businessman, had to wait for three months for the X1. But now that he is driving one, Bhadauria says the wait was worth it.

Schaff admits the X1 was launched to attract a whole new segment of young buyers to the BMW brand, "and then grow the brand with them, so when they upgrade to bigger and better cars, we will be there".

Not surprisingly, BMW's move had the other two members of the German luxury car troika alarmed, but both Audi and Mercedes claim they have the vehicles to retaliate with. Michael Perschke, Managing Director, Audi India, is extremely bullish about Audi's small SUV, the Q3, to be unveiled shortly. "We believe it is better than what BMW has to offer," he says. While Mercedes has no small SUV to pit against the X1, it has pulled out all stops to bring its B-Class to India, which will be showcased at the Auto Expo 2012.

But catching up with BMW might not be easy, with the X1 expected to bolster India sales volumes by around 3,000 units to a total of 10,000 in 2011. BMW also plans to add still more capacity to its Chennai facility. ◆

KUSHAN MITRA

SHEKHAR GHOSH

TV Tomorrow

It will not remain an idiot box for much longer

In the run up to Diwali, the newspapers were full of ads for 'smart' television sets from Sony, Samsung, LG and others. But are our TVs really smart?

As of now, the honest answer is they are not. Though you can connect most new high-end TVs to the Internet and use some limited applications on them, they have functional deficiencies and lack a user-friendly interface. Even connecting them to the Net requires technical knowhow.

User-friendliness matters a lot. Apple did not invent the smartphone. What it did was to make the smartphone easy to use. Which is exactly what needs to be done with 'smart' TVs. The good news is that a host of consumer electronics and information technology companies are already on the job.

It is impossible to predict what kind of device or technology will capture hearts and minds in the future. Whichever device wins will need to be intuitive in designing an accessible interface, and must also provide a dazzling library of content. Overseas, devices such as the TiVo, a digital video recorder, or DVR, have transformed the way people watch TV. In India, many direct to home, or DTH, and Internet Protocol TV, or IPTV, providers offer similar services. But these are still programmes recorded in a traditional way, that is while being broadcast over a TV channel. Increasingly, thanks to ever-increasing Net speeds, things will change.

One of the most progressive TV channels in India is Colors. I don't say so because of its programming, which I'm not qualified to judge, belonging as I do to a different demographic – both age-wise and sex-wise – from the one it seeks to cater to, but because the channel hosts most of its shows on YouTube. You can, therefore, watch them at your convenience – instead of during a fixed time slot – and the network earns some money, too, in the process. This will become the norm in the future.

Your TV set will be able to access video on demand, or VOD, all the time and while some traditional broadcast channels may survive in their current form – news and live sports, for example – it is likely that instead of buying channel packages as we do now, we may buy programme packages or even bulk hourly rates. You could buy, say, a 100-hour package every month allowing you to watch 100 hours of programming, irrespective of the channel you choose.

Some may argue that India is a 'poor country' with insufficient connectivity for all this to happen. Agreed, connectivity and affordability will have to improve. But then a few years ago people also said flat-panel displays were only for the rich. Today there are big splashy ads even in the regional language media, selling such TV sets. So be warned, not only is your TV changing, but so is the way you watch it. ◆

Surviving Business Lunches

Pick and choose only healthy foods, advises Anand J

The restaurant is high end, the air conditioning is strong, and the décor is charming. The menu is varied, the dishes look delicious, the portions are generous. The prices are steep, but you will charge the company, or someone else is paying. You are at a business lunch, one of a succession you have been attending. Even as you talk shop, the temptation to stuff yourself with the delicious fare available is strong.

But you know the payback only too well: drowsiness and an inability to concentrate once you get back to work, often enough followed by acidity or indigestion. In the long run, if you keep gorging, weight gain along with its attendant health problems are a given.

Stick to

Roti, salads, fruits, brown bread, grilled meat, lentils, jellies and soups

Stay away from

Naan, pasta, aerated drinks, oily foods, caffeine, cheese, pastries, ice creams and puddings

It is a situation executives routinely find themselves in. How to protect themselves?

It is easier to do so, if you are not too hungry. "It is important to have a heavy breakfast," says Jyoti Arora, Team Leader, Nutrition and Dietetics, Artemis Health Institute, Gurgaon. "If your stomach is full, however appetising the food, you cannot have it." Vikramjeet Singh Bawa, Managing Director of Bawa Hotels, Mumbai, agrees. "The mantra is never to have hunger pangs," he says. "You should make that part of your lifestyle." He follows a strict diet timetable, consuming only those foods prescribed by his dietician.

Arora also advises avoiding coffee, tea and sugary delights at the end of business lunches. "Instead of regular tea or coffee, have a lemon tea or green tea, which provides nutrition and antioxidants," she adds. "If you can't do without the sweet taste, use artificial sweeteners."

Ultimately, there is no alternative to the exercise of old-fashioned will power. "Determination is what it takes," says Vikas S. Kasliwal, Vice Chairman and CEO, Shree Ram Urban Infrastructures. "I eat out regularly but I'm particular about what I eat." He combines diet control with yoga, daily walks, and three visits to the gym each week in order to stay fit. "It gradually becomes a habit," he adds. That's his fix to the a-moment-on-the-lips-a-lifetime-on-the-hips problem.

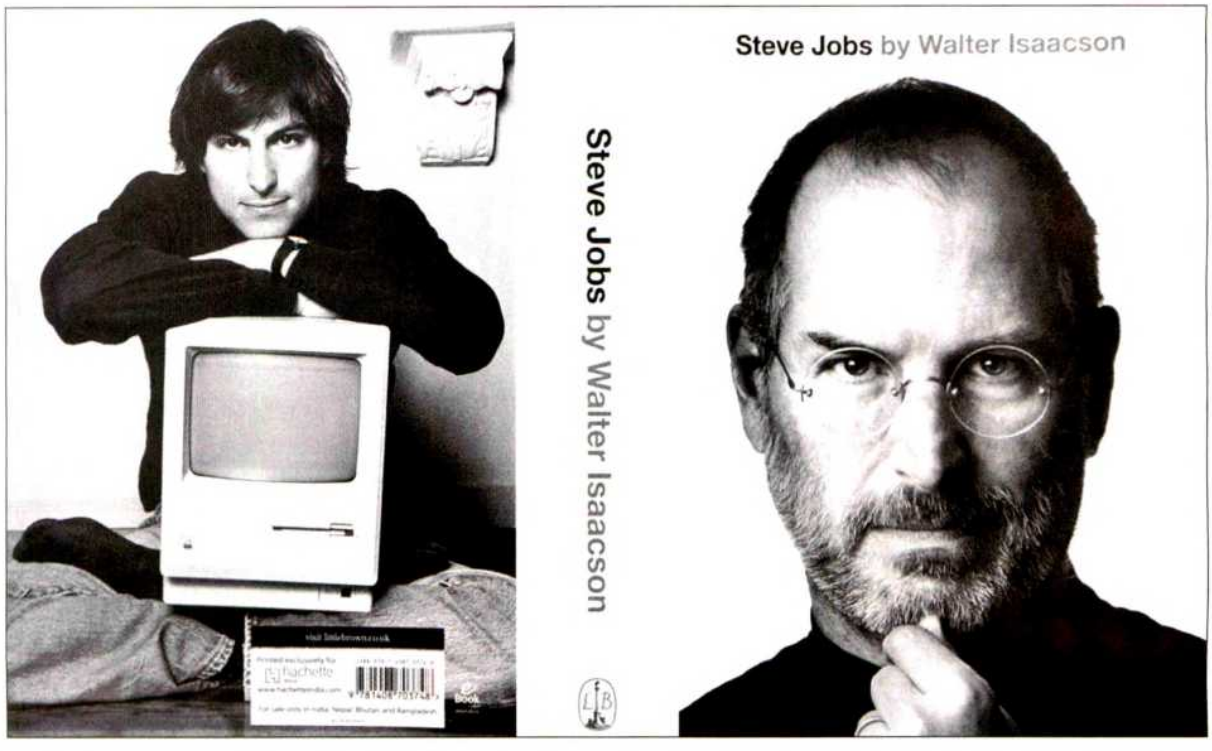
Many young executives eat whatever they like, believing their bodies can withstand anything. But the consequences are often felt later in life. "Most people abuse their bodies by not paying much attention to their eating habits," says Dr Bindu Sthalekar, a member of the World Society of Anti-Ageing Medicine. She suggests that the amount of food consumed at lunch should depend on how many hours ago a person had his last meal – the fewer the hours, the lighter the lunch should be.

Pastries, puddings and other fatty desserts ought to be avoided, along with aerated drinks, which only add to calorie intake and ruin teeth. Leafy vegetables are a must, white meat is healthier than red, and meat dishes without gravy are preferable to those with. "Since 70 per cent of the body comprises water, it is also important to drink plenty of water," Dr Sthalekar adds.

Finally, how to deal with busybodies who look at your plate – when you are trying hard to restrain yourself – and say, "You've hardly taken anything?" "Use a smaller plate," says Artemis's Arora. "It looks full even if items on it are few." ◆

Flawed and Mercurial Genius

Isaacson's book comes closest to understanding the late Steve Jobs, says D. Shivakumar



Steve Jobs
By Walter Isaacson
Little, Brown
Pages: 630
Price: ₹799

Steve Jobs called Walter Isaacson in 2004 and requested him to write his biography. Isaacson, a former Managing Editor of *Time*, and Chairman, CNN, and biographer of Albert Einstein and Benjamin Franklin, initially refused, but relented when he heard of Jobs' battle with cancer. The book took two years to write and Isaacson had unlimited access to Jobs, his family, friends and foes. He was encouraged by Laurene Jobs, Steve's wife, to tell it as it is.

It is a book that will be a best-seller. It is a book that comes closest to unravelling Jobs, the flawed and mercurial genius. I found the book insightful and revealing. Jobs was an abandoned, adopted child. That made him feel bad and special at the same time. His adoptive parents, Clara and Paul Jobs, went out of their way to make him feel special. He got his way every time. This pattern continued through his life as he cajoled people, threatened them or cried to have his way.

Jobs did a summer job with HP when he was 12; his first job was with Atari, where he was put on night shift because he could not work with the others. Jobs wanted to build a company like HP that outlasted others. That is one of the reasons he came back to run Apple for a second time.

Jobs impacted six industries and will be seen as one of the game changers in technology. Jobs brought a unique combination of art, design and end-to-end hardware and software fusion to delight

Very few people will achieve what Jobs has done in the last 30 years. He will be among the 10 people who changed the world for the better

and surpass consumer expectations. He fussed over minute details and people labelled him 'obsessive'. This obsession led to the 1984 Apple ad, to the iTunes-Bob Dylan ad, to the iMac. Any idea was 'shit'or okay and he was labelled a tyrant. He judged people quickly and loved people standing up to him. He would reject an idea one day and recycle it as his own a few days later. People labelled him 'unpredictable' and 'self-centred'. He wanted his products, his team and Apple to succeed, but he also wanted more than the credit for his role and contribution. When he came back to run Apple, he took a monthly salary of $1 for four years and wanted that message to get across to the employees. However when the board wanted to reward him, he asked for a private jet "to spend more time with family" and demanded stock options way above what the board was proposing. He justified it as something deserving of his contribution. Board members were surprised by the dichotomy.

The book details his duels with John Sculley, Bill Gates, Disney, the music industry. Everyone saw Jobs as a genius who could translate technology to change consumer experience, but was wary of dealing with him and never sure of getting a good deal from him. He was widely admired, but not trusted.

Jobs was a Bob Dylan and Beatles fan. He had the full Dylan collection on his iPod and was mesmerised by the Beatles. He was never a hierarchy person and would skip levels to talk to people. He would also pick up the phone and speak to all the key ecosystem partners on his own: chip makers, rock stars, suppliers, etc. His biggest and boldest moves came when he recognised his failing health. In his Stanford commencement address in 2005, he spoke of death in emotional and challenging terms. He took Apple into phones and launched the iPad and the Apple retail stores after he started his battle with cancer.

Not everything that Jobs touched turned to gold. He also had a lot of self-doubt. He nearly killed the iPod Shuffle before it was launched. The Shuffle was the product that took Apple's share in music from 31 per cent to 74 per cent.

Jobs was a genius. Very few people will achieve what he has done in the last 30 years. He will be among the 10 people who changed the world for the better. For a man who believed in technology and its impact, he did not use technology to save himself from cancer. He relied on the natural way and we lost a genius who could have served the world for a few more years.

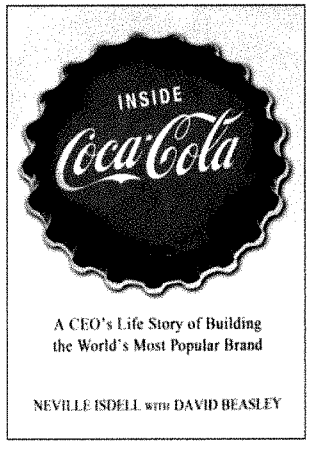
I loved reading the biography and getting a glimpse into the life of this genius. ◆

The reviewer is Chairman, Nokia India

Jobs brought a unique combination of art, design and end-to-end hardware and software fusion to delight and surpass consumer expectations

"I Believed in Thums Up"

In early 2004, Coca-Cola wanted Jack Welch as its Chairman and CEO. Having lost its way, and market share, since the death of Roberto Goizueta in 1997, the company wanted Welch, who had retired as the Chairman of General Electric and got married, to turn it around. But Welch, still on his honeymoon, grew cold feet. Coca-Cola then hired another retiree, one of its own, **NEVILLE ISDELL**, *who had never aspired to the top job and never thought it possible. In the next five years, Isdell went on to put Coca-Cola back on track. In his second retirement now, Isdell, who was born in Ireland, grew up in Zambia and drank Pepsi in college in Cape Town because Coke was not available, has written the story of Coca-Cola, the first by a CEO of the company. He spoke to* **SUVEEN K. SINHA** *on the phone from Barbados, where, at 68, he is enjoying uninterrupted golf in the Caribbean sunshine. Edited excerpts:*



Inside Coca-Cola
By Neville Isdell with David Beasley
St. Martin's Press
Pages: 254
Price: ₹499

To paraphrase a hackneyed saying, you went where Welch feared to tread.

(Chuckles) That's up to him to say. He faced the same decision that I did: is it something I want to do the rest of my life? I had not headed the Coca-Cola company, or a company as big as that, Jack had.

You, as Group President, approved the acquisition of the Parle brands from Ramesh Chauhan. If you were to do it all over again, what would you do differently?

Not a lot. Nothing major that I would have changed. I wish I had got involved with the right management earlier. India was one of the countries I visited in my first 100 days as Chairman and CEO. Any turnaround takes a 10-year period. I talked to the board about that and said I was going to do it in five. Given my age, I wanted to have some retirement. The other thing I said to them was that I would not take any short-term decisions just to look good. Looking at the long term, I saw India.

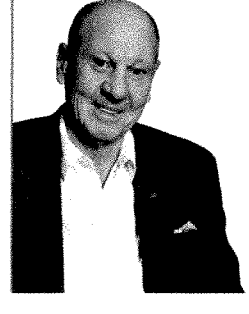
So did you or did you not buy the Parle brands, including Thums Up, just to kill them?

We felt that we could not have both Gold Spot and Fanta, and Citra and Sprite. We dropped those brands. But Limca was a very strong brand. We kept the Limca book coming out as well. I really believed in Thums Up, and grew Maaza.

How did you become the first Coca-Cola CEO to write its story? How much is the book blessed by the company?

I like telling stories; the Irish people do. I had a few years ago drafted a book about growing up in Africa, and being involved in student politics against the apartheid. I did not really complete it and that book is being written by a lot of people. Eventually, a year after I stepped down, I said to myself you have to make a decision now or it will never be done. I told the Coke management I was going to write the book. It is not a book authorised officially by Coca-Cola, nor edited by Coca-Cola. I agreed to let them see it so there would be no legal issues. They allowed me to look at the archives. They were helpful. ◆

"India was one of the countries I visited in my first 100 days as Chairman and CEO... Looking at the long term, I saw India"



Not for the Slow-footed

E-commerce is suddenly a hot option, but only if you have the mettle for it, says Manasi Mithel

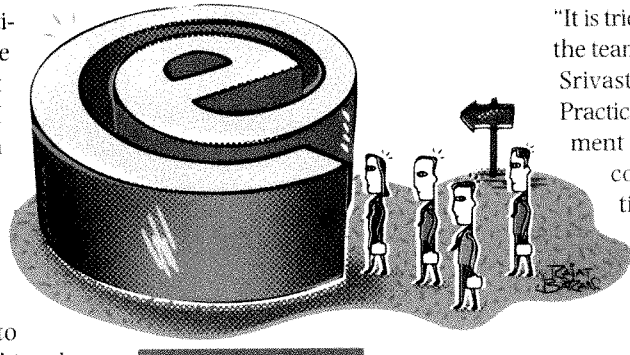
In his previous career as a naval officer, Nitish Pandey learnt to handle tension, adapt fast to new situations, and take quick decisions. He always had a sense of adventure. These four attributes, he finds, make him ideally suited for his current job as chief architect of information systems at online group buying firm Snapdeal.com.

"I have to work on multiple systems at the same time," he says. "That's what makes the job exciting. I have to be really fast. I'm always on my toes."

E-commerce is a hot, rapidly expanding sector, throwing up thousands of new job opportunities every year. It is expected to grow 47 per cent in India this calendar year to touch ₹46,520 crore, says an estimate by the Internet and Mobile Association of India. The salaries, too, (see *Fair Income*) are nothing to sniff at: at least one firm pays its senior-level staff around ₹80 lakh a year.

But be warned: you need the right temperament to flourish here. "Working in this field is a challenge," says Hitesh Dhingra, co-founder of the portal LetsBuy.com, which sells digital, electronics and lifestyle products online. "Business is 24x7. The pace is very quick. It is not something everyone can handle."

Not surprisingly, most e-commerce companies maintain they are very selective in making recruitments. Snapdeal, for instance, employs one out of 29 people it interviews on an average. "We need to be careful to choose people who have the ability to adapt to something completely new," says Kunal Bhal, CEO, Snapdeal.



FAIR INCOME

	SALARY* (in ₹ lakh per annum)
Leadership Level	20-30
Mid Level	10-18
Junior Level	2.5-10

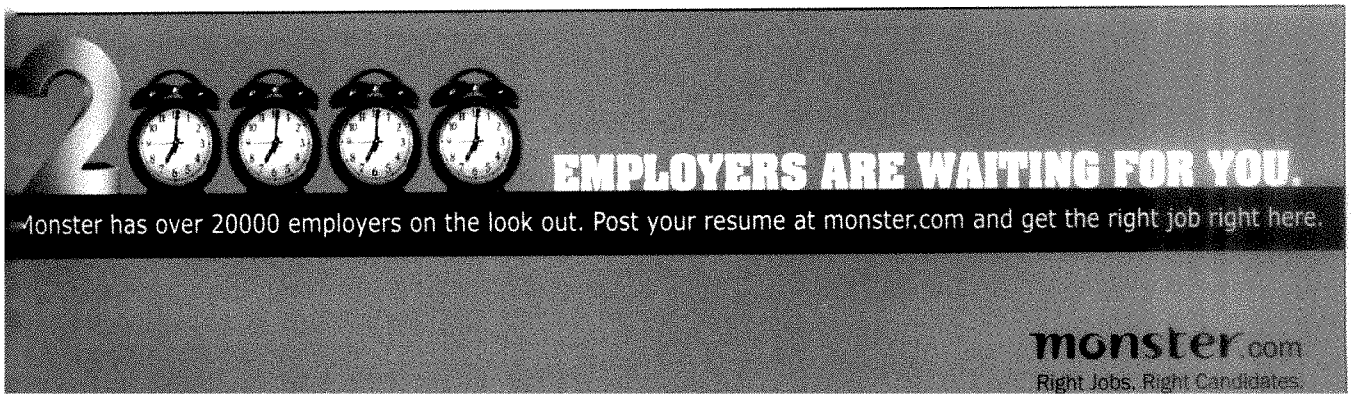
*May be higher in select companies

Source: BT Research

The flip side of working in an uncharted field is that it offers plenty of scope for creativity. There are also no standard processes; every company must evolve its own. "That is a new challenge," says Dhingra. "People working in such companies need to be prepared for it."

Thus it is not a matter of individual capacity alone. The quality of the team you join – or lead – is also vital. "It is tricky to get into a set-up where the team is not strong," says Prateek Srivastava, Manager, Technology Practice, Elixir Consulting, a recruitment process outsourcing firm. E-commerce companies sometimes tempt prospective employees by offering them stock options, but these will be worth little if the team fails to deliver and the company's performance suffers.

Where do entrants into e-commerce companies usually come from? They are largely nimble-footed, quick thinking converts from the fast moving consumer goods and telecom sectors, says Srivastava. "They are usually people with top business school backgrounds possessing exceptional selling skills or product engineering talents," he adds. "All those who like working in high-energy situations and want to do something different will suit this business." ◆



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Decription: Responsible for identifying frauds within the organization, investigating and recommending for an action.

Nirmitha Software Solutions Pr Limited
General Manger - PVD
Location: Bangalore
Job ID: 10529191
Decription: Looking for someone to our PVD BU for Nirmitha Techno Solutions.

Amity University/Ritnand Balved Education Foundation
Director-Engineering
Location: Gwalior
Job ID: 9922721
Description: The incumbent would be required to handle a mix of Academic and Administrative responsibilities for his division or department.

Jindal Steel & Power Limited
Process Engineer
Location: Gurgaon, angul
Job ID: 10339466
Description: Candidate should posse years of experience in synthesis production /Coal Gasification, or D and operation.

Jubilant Oil and Gas Pvt Ltd
Sr. Manager - Taxation
Location: Noida
Job ID: 10390899
Description: To look after Direct and Indirect Taxation matters for all Blocks & Companies under Oil & Gas Companies.

Alcatel Lucent India Ltd
Operations Head-West Hub
Location: Mumbai
Job ID: 10362120
Description: BE with 16+ yea experience out of which minimum years in operation of Telecom & ISP.

JSW Steel Limited
Senior Manager/Manager-Electrical
Location: Mumbai
Job ID: 10329471
Description: Electrical design, specification and selection of the power plant electrical equipments.

Lahmeyer International (India) Pvt L
Senior Engineer - Mechanical
Location: Gurgaon
Job ID: 9081940
Description: Experience in design of m Main Plant and Balance of Plant systen - Thermal/Combined Cycle Power Pl Diesel Generated Power Plant.

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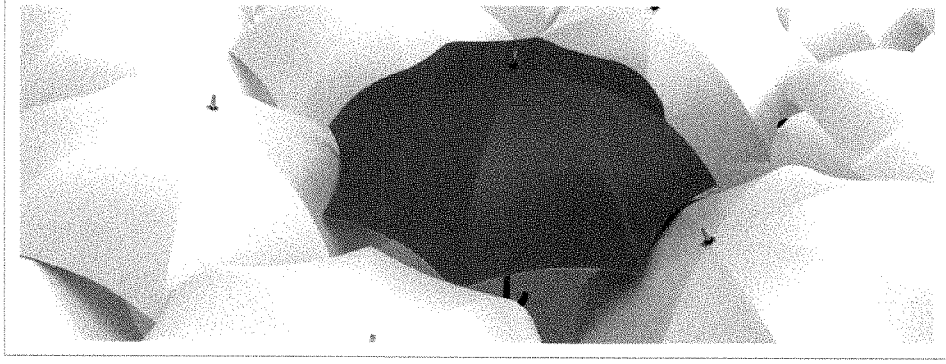

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Peoplesoft Financials(Techno-Functional) Consultant
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Job ID: 9221407
Description: IPsoft, one of the fastest growing MSPs in the world is looking for PeopleSoft Financials (Techno-Functional) Consultant.

Cognizant Technology Solutions India Private Limited
Team Leader/ Technical Leader
Location: Chennai
Job ID: 9809674
Description: Experience in Active Directory & Servers Versions /DNS/DHCP/WINS/DFS Servers /Proxy Servers.

Redknee (India) Technologies Pvt Ltd
Software Test Engineer
Location: Pune
Job ID: 10310067
Description: The ideal candidate will have 4+ years of relevant experience in testing products/solutions.

IMSI India P Ltd
Application Developer Perl Unix/Aix
Location: Kolkata
Job ID: 10278955
Description: Looking for the candidate with at least 3 yrs of experience in Perl programming and UNIX for IT MNC.

Value Labs
Software Engineer/ Programmer
Location: Hyderabad
Job ID: 10189772
Description: Looking for .Net professionals with 5+ year's experience.

GlobalLogic India Pvt Ltd
Software Engineer/ Programmer
Location: Hyderabad
Job ID: 10481487
Description: 2- 7 Years of QA/Testing experience with at least 2 years of Web Testing.

Polaris Software Lab Limited
Java / J2ee Developer
Location: Chennai
Job ID: 10461898
Description: Looking for candidates who can Read / Write / Speak Bengali at Developer level.

Sapient
Specialist - Core Java
Location: Gurgaon
Job ID: 10532038
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Nichepro Consulting Pvt Ltd
Business Development Executive
Location: Bangalore
Job ID: 10273992
Description: Degree in Busin Administration or Marketing / and equivalent work experience.

Roland and Associates
Sales Manager
Location: Bangalore, Pune
Job ID: 10527378
Description: Skill: Person who has actively involved in sales in Real Estate Industry.

Saba Software India Pvt Ltd
Sales Manager
Location: Delhi
Job ID: 9667900
Description: Will be responsible Licenses and Services Revenue Inclu renewals of existing accounts.

ONI ENTERPRISES
Marketing Manager
Location: Kolkata
Job ID: 10526558
Description: Shall design Brand Promotion strategies that (a) Draw attention to the existence of the institution.

Zycus Inc
Sales Exec/ Sales Representative
Location: Mumbai
Job ID: 10500230
Description: Mentor and coach Corp Sales representatives to ensure Reven Logo targets are achieved on monthly b

Kudos Infotech
Business Development Executive
Location: Ujjain
Job ID: 10402631
Description: Should have a strong sales acumen, leadership, negotiation and analytical skills.

Rolta India Ltd
Business Development Executive
Location: Mumbai
Job ID: 10291703
Description: Should have passion technology and exhibit high energy to a team of highly motivated individu deliver optronic Solutions.

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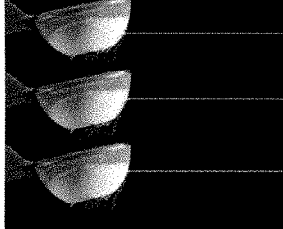

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Location: Bangalore
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Capgemini
Financial Analyst
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Job ID: 10460442
Description: Business Control including Budget and forecast performance analysis and challenging, benchmarking risks measurement.

ABC Consultants Pvt Ltd
Chartered Accountant (CPA)
Location: Kolkata
Job ID: 10238420
Description: Experience in assurance and analysis work, Understanding of audit concepts and regulatory requirements.

Live Connections Consulting FZE
Finance Manager
Location: Bangalore
Job ID: 10464670
Description: Responsible for the preparation, Coordination, review and accuracy of financial accounting analyses.

Cyber Futuristics India Private Limited
Sr. Accounts Executive
Location: Jaipur
Job ID: 10516627
Description: Should have minimum 6 years exp in General Accounts.

Syntel Inc
Finance Assistant
Location: Mumbai
Job ID: 9706759
Description: The job profile will involve Financial Analysis of various financial and investment products and instruments.

GlobeOp Financial Services, LLC
Cost Accountant / ICWA
Location: Mumbai, Pune
Job ID: 9236382
Description: The Fund Accounting team manages: Trade, Position and Cash reconciliations, Variance Price checks, Daily working on PnL.

Datamatics Global Services Limited
Graduate Trainee/ Management Trainee
Location: Nasik
Job ID: 10488743
Description: B.Com (Accounts & Taxation) / M Com /MBA (Finance), Knowledge of Accounts and Tax, Excellence Communication skills.

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Aamir Khan
Actor/Producer

Lure of the Small Screen

Come 2012, AAMIR KHAN will finally follow in the footsteps of Amitabh Bachchan, Shah Rukh Khan and Salman Khan. He, too, will host a TV show. But no, unlike that of the other actors, his will not be a game or quiz show. "It is difficult to explain what it is about," says Khan at first. The reticence soon dissolves into candour, but only that much. "It is a personal journey for me to connect with the millions across the country and tell their stories," he adds. "It is about how our lives are affected on a daily basis. It tells real-life stories and is all about change and hope." Produced by his own company, Aamir Khan Productions, the show will air on Star Plus. It will be simultaneously broadcast in all the languages Star Plus runs channels in: Hindi, English and six regional tongues.

ANUSHA SUBRAMANIAN

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Nita Ambani
Additional Director, EIH

India Inc.'s First Lady Checks In

NITA AMBANI, wife of Mukesh Ambani, Chairman and Managing Director, Reliance Industries, or RIL, has joined the board of East India Hotels, or EIH, as an Additional Director. RIL bought a 14.12 per cent stake in EIH, which owns and runs hotels under the Oberoi brand, for ₹1,021 crore a year ago. With this step, Nita, who already oversees RIL's ventures in education, health care and sports, and also handles the group's philanthropic activities, adds the hospitality sector to her responsibilities. She is founder and Chairperson of the Dhirubhai Ambani International School in Mumbai and co-owner of Mumbai Indians, an Indian Premier League cricket team. But her dream projects remain the H.N. Hospital and Reliance University, both in Mumbai. Nita's favourite quote: "It is not what you possess, but what you do with what you have that determines your true value." (See *The Most Powerful Women in Indian Business*, BT, September 18, 2011.) She attributes her passion for education to her middle-class upbringing.

GAUTAM AGGARWAL

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Madhabi Puri-Buch
Investment Banker

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Fresh Investment

Cutting short her sabbatical, high-profile investment banker **MADHABI PURI-BUCH** is joining the London-based private equity firm Greater Pacific Capital to head its Singapore office. Puri-Buch, an IIM-Ahmedabad alumna and formerly managing director and CEO of ICICI Securities – she figured in *BT's* 2010 listing of Most Powerful Women in Indian Business – took the sabbatical in April this year to join her husband, Dhaval Buch. Greater Pacific Capital, started by ex-Goldman Sachs employees, invests in India and China. Its portfolio of companies includes outsourcing firm Azure Knowledge and brokerage firm Edelweiss Capital.

GAUTAM AGGARWAL

The Other Metro Man

October 20 was a special day for **NARAYANAN SIVASAILAM**, Managing Director of the Bangalore Metro Rail Corporation. On this day, years of hard work finally came to fruition as the Bangalore Metro – the third in the country after Kolkata and Delhi – opened along a 7.5 km stretch. This Metro also has one feature its counterparts in the other two cities do not: Wi-Fi connectivity on board. A Delhi College of Engineering alumnus and a 1985 batch IAS officer, Sivasailam, who took charge of the project in June 2008, has only one regret. He wishes his parents, whom he lost recently, had been around to witness his triumph. "They followed the Metro's progress so closely during their lifetime," he says.

K.R. BALASUBRAMANYAM

Narayanan Sivasailam
MD, Bangalore Metro Rail Corp.

New Generation Connect

KAVIN MITTAL, one of the twin sons of telecom czar Sunil Bharti Mittal, runs Bharti Enterprises's new age businesses – social media, gaming and e-commerce – as Head of Strategy and New Product Development at Bharti SoftBank Holdings, or BSB, a joint venture with the eponymous Japanese company. Kavin's twin brother, Shravin, is a manager at Bharti Airtel's African operations. Kavin, 24, who holds a Masters degree in engineering from a London institute, says he made his first foray into entrepreneurship while still a student. "I became an entrepreneur at the age of 20 in my last year at university when I launched a start-up, AppSpark, in the mobile Internet space," he says. He also admits to a love of adventure: he enjoys skydiving, bungee-jumping and is now training for a pilot's licence. Will he take Airtel to greater heights? "I have a lot on my plate at the moment and all I can say is that for now I am focused on BSB," he says. ◆

SUNNY SEN

AMITABH CHAUDHRY

Managing Director and Chief Executive Officer, HDFC Life

My leadership style
- ☐ Delegative
- ☐ Participative
- ☐ Authoritative
- ☑ All of the above

The political leader I admire the most
Nelson Mandela

The business leader I admire the most
N.R. Narayana Murthy

The leadership lesson I remember the best
Leadership is about courage – and courage is not absence of fear but inspiring others to move beyond it

A Movie I would recommend on leadership
Patton

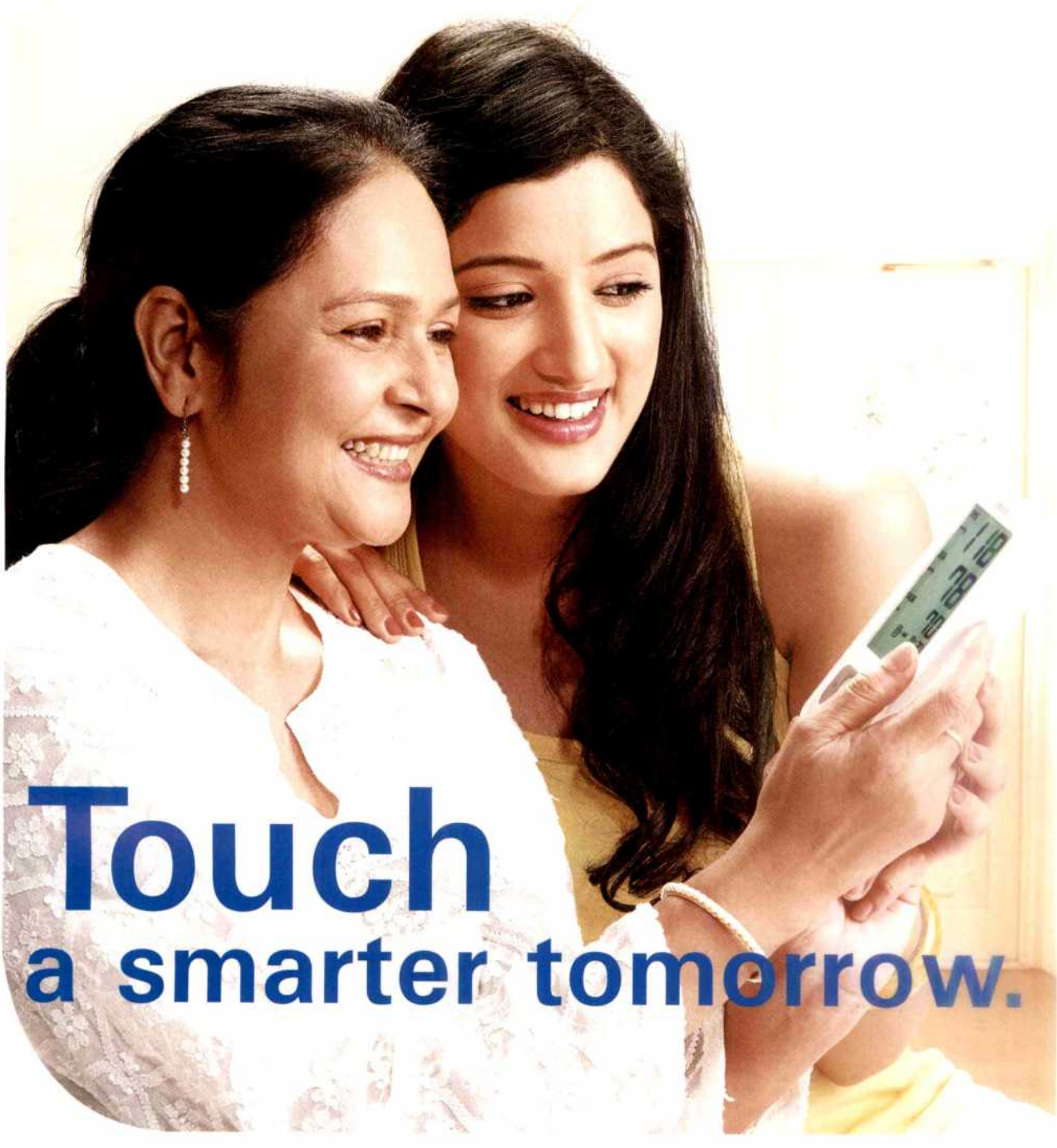
The difference between a manager and a leader
A leader is a change agent who inspires, while a manager relies on control

All good managers are good leaders
No

As told to N. Madhavan

NISHIKANT GAMRE/www.indiatodayimages.com

Vol. 20, No. 24, for the fortnight November 14-27. Released on November 14, 2011.



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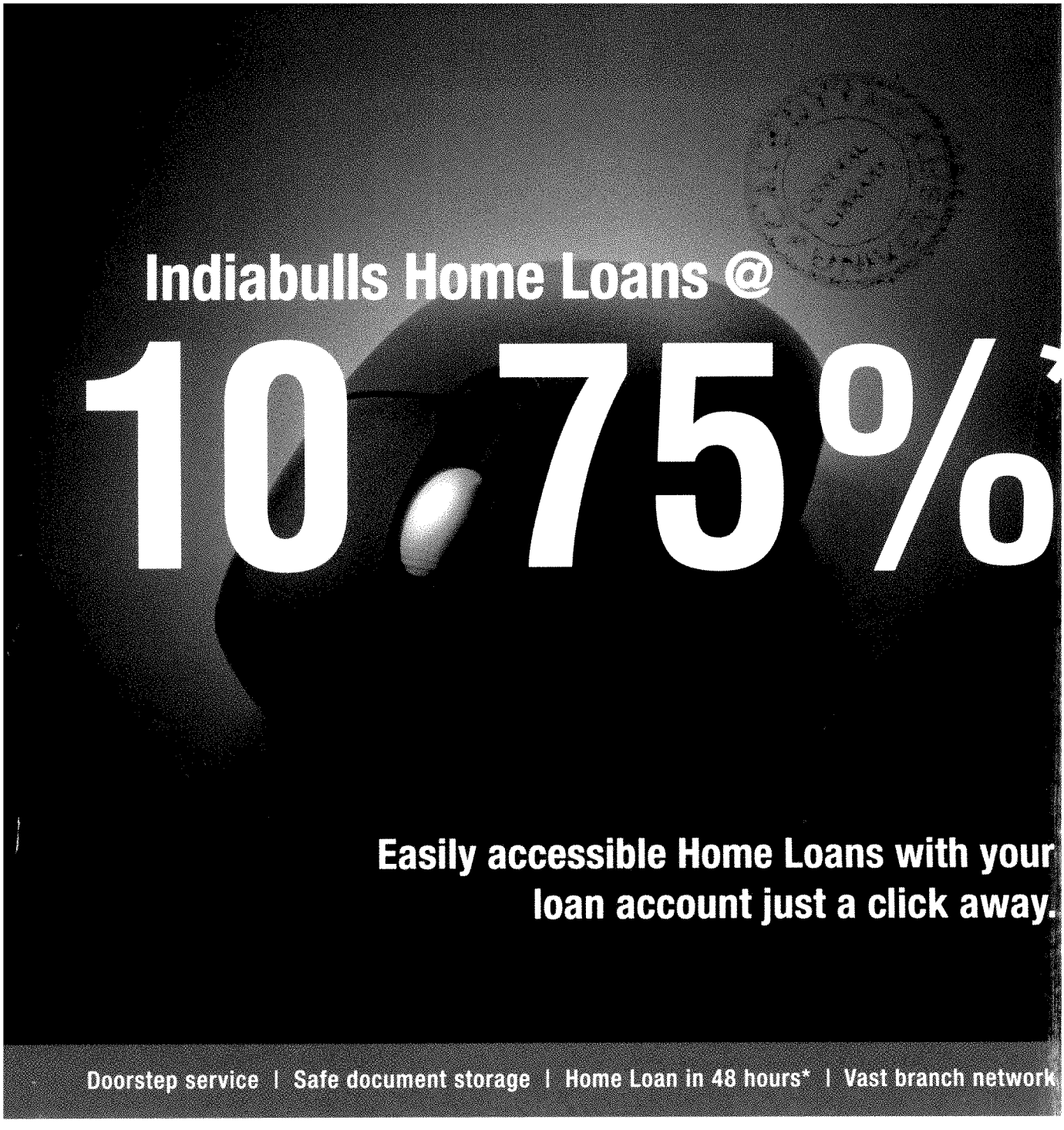

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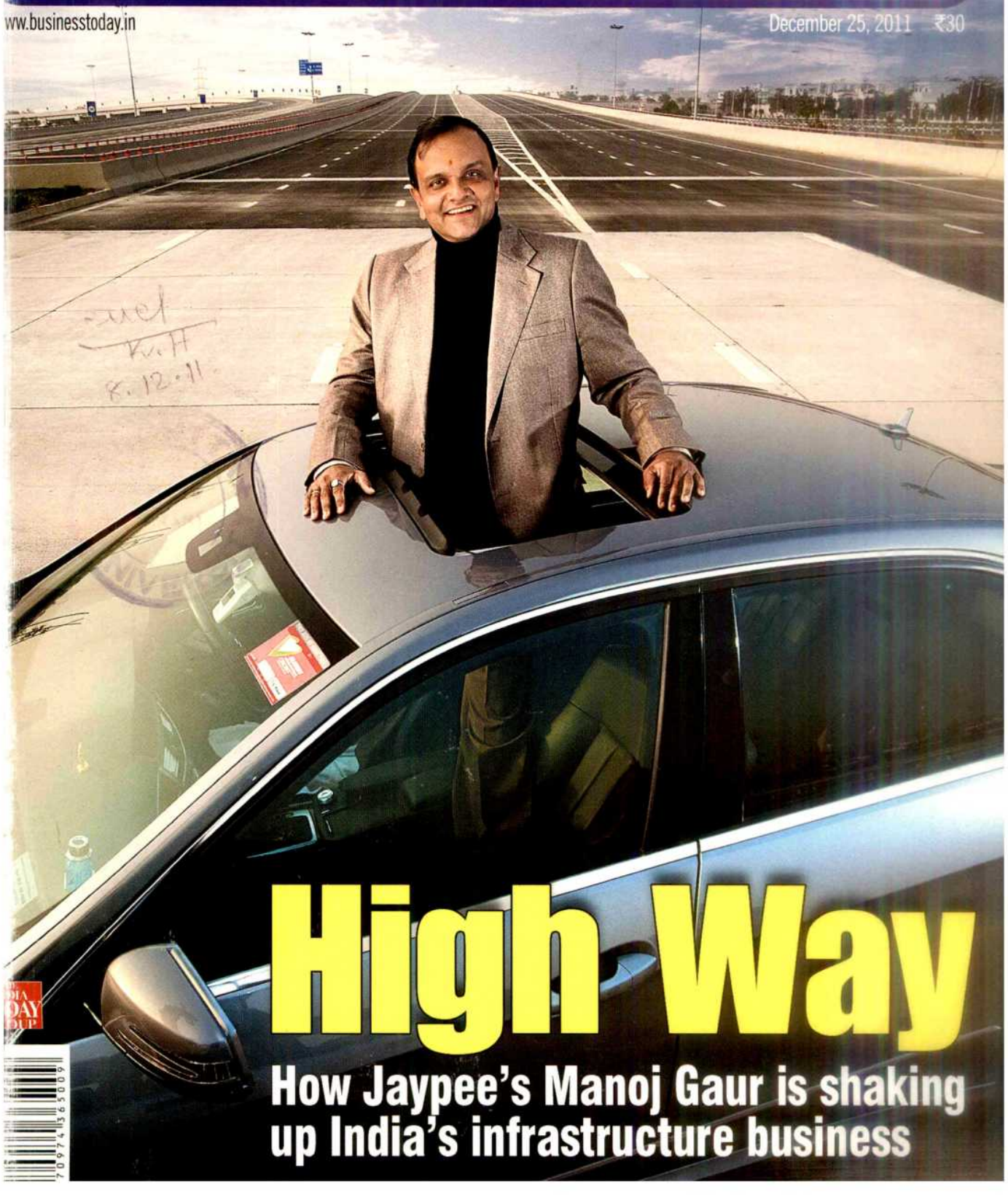

High Way

How Jaypee's Manoj Gaur is shaking up India's infrastructure business

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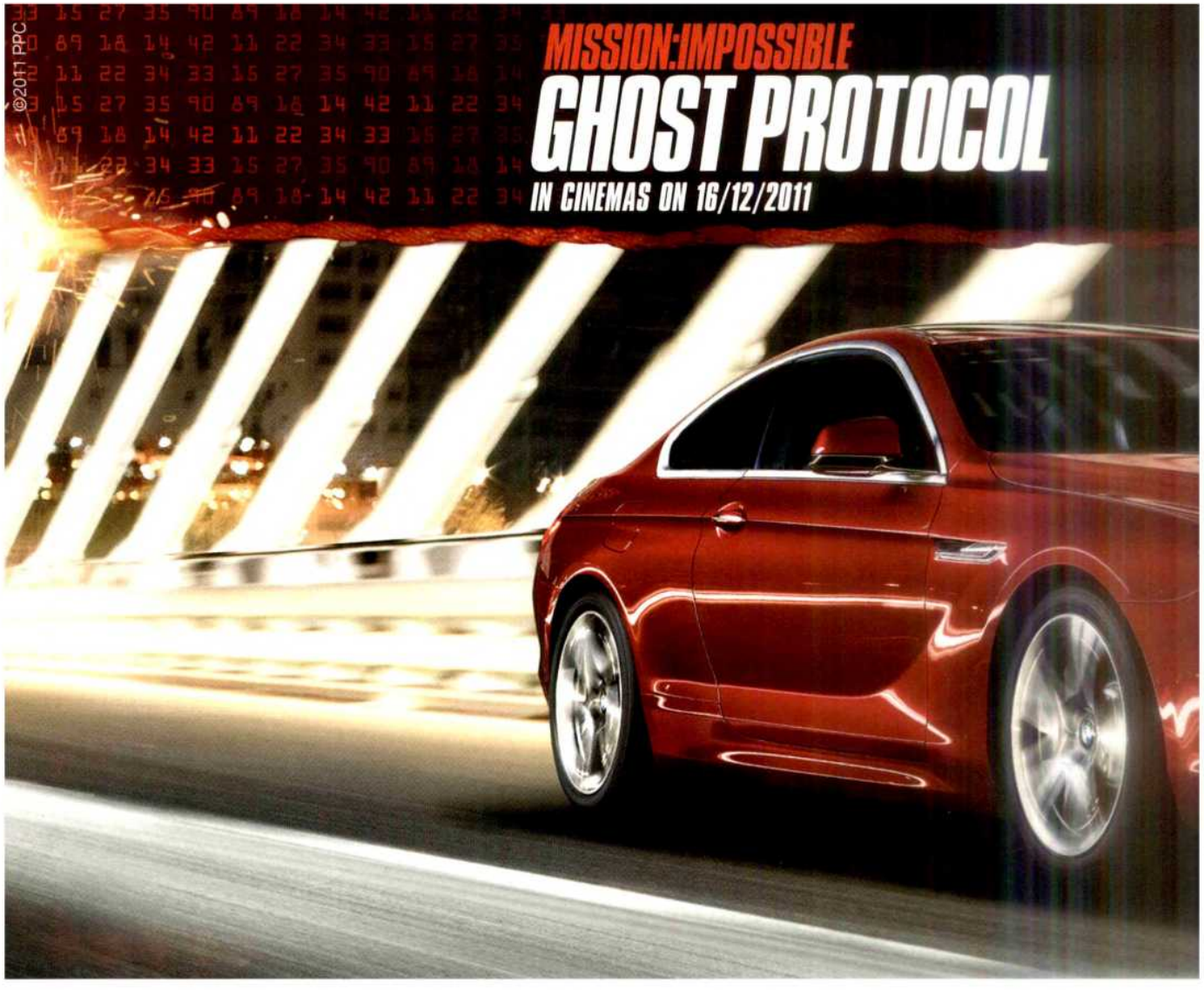

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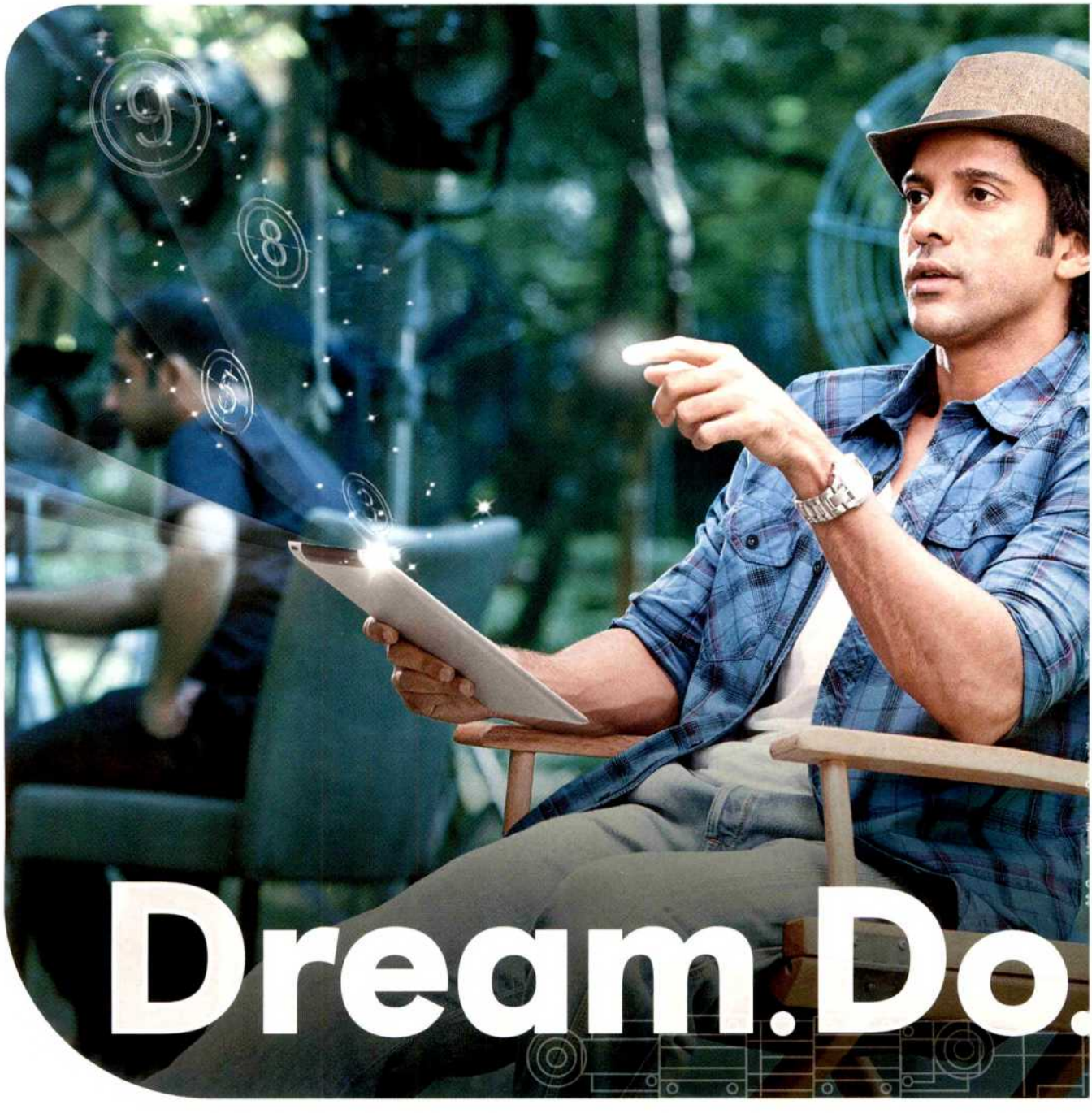

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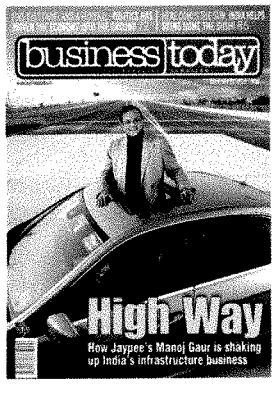
Mahindra
Rise.

From the Editor

India's Parliament House does not resemble a ziggurat, but it does remind me of the Tower of Babel and how God descended to earth to check things out. He was so alarmed by what seemed achievable by all humans speaking one language, we are told, that he decided to scatter them and "confound their speech". So do not for a moment believe that "divide and rule" was invented by our British colonizers.

You do not owe the Great Divider any thanks if you live in the world's largest "demo-cracy". Every day since the Winter Session opened on November 22, our elected representatives have created mayhem over foreign direct investment in supermarkets (and quite a bit else). I encourage you to go to the Lok Sabha website and look at the "uncorrected debates"; start with *http://goo.gl/K34 3T* on the day this was written, click backwards, and you will understand why Southeast Asian leaders like Lee Kuan Yew or Mahathir Mohamad believe that prosperity can never happen in a democracy.

No wonder then that India's business people are starting to give vent to their frustration and anger on microblogging sites like Twitter and at industry forums. The drumbeat of bad economic news is growing louder by the day. Gross domestic product grew at its slowest pace in two years in the July-September quarter, and we will be lucky if we hit 7.5 per cent for the full year to March. All round us there is stress and stasis, and as if to underline the fact that politics is driving the economy into the ground, we are about to hit election season. Five states go to the polls in 2012, including the bread-basket of Punjab, and the 800-pound political gorilla, Uttar Pradesh. Our policy team of Sanjiv Shankaran and Shweta Punj travelled through Uttar Pradesh and Punjab in search of signs of what matters most to people outside Delhi's Lutyens Zone. Anusha Subramanian added perspective from Maharashtra on how huge social-spending programmes like the MGNREGS have changed the economic landscape. Farmers across the landscape feel squeezed and are resentful – input prices are rising, and they really do not benefit from rising food prices, something that retail FDI is touted as a fix for. As the economy starts to move through a rocky adolescence, conventional wisdom decrees that more people ought to move out of agriculture (which contributes just about 15 per cent of GDP but employs 53 per cent of the workforce) into manufacturing and the services sector. That is easier said than done. Share the *BT* team's insights from page 72.



The two sides of the development coin are very visible at Karchana, near Allahabad. There, villagers are angry over land acquired for a thermal power plant by Mayawati's government that eventually found its way into the hands of Jaiprakash Associates, the construction group that Suveen K. Sinha reports on in our cover story starting on page 58. The Gaurs of Jaypee may not be Horatio Alger characters, but they have certainly come from humble beginnings to be one of the country's brawniest infrastructure majors. Jaypee shot into the limelight with the flawless execution of the Buddh International Circuit where India's first F1 race was staged in October. On our cover, Executive Chairman Manoj Gaur is backdropped by the eight-lane Taj Expressway, as incongruous as it is spectacular in one of India's poorest states.

Elections may come and go but highways endure, and the whiff of outsized opportunity is luring Japanese investors beset by stagflation and a soaring yen who had held gingerly back from India until the allure became irresistible, as Anand Adhikari discovered starting page 86.

Chaitanya Kalbag

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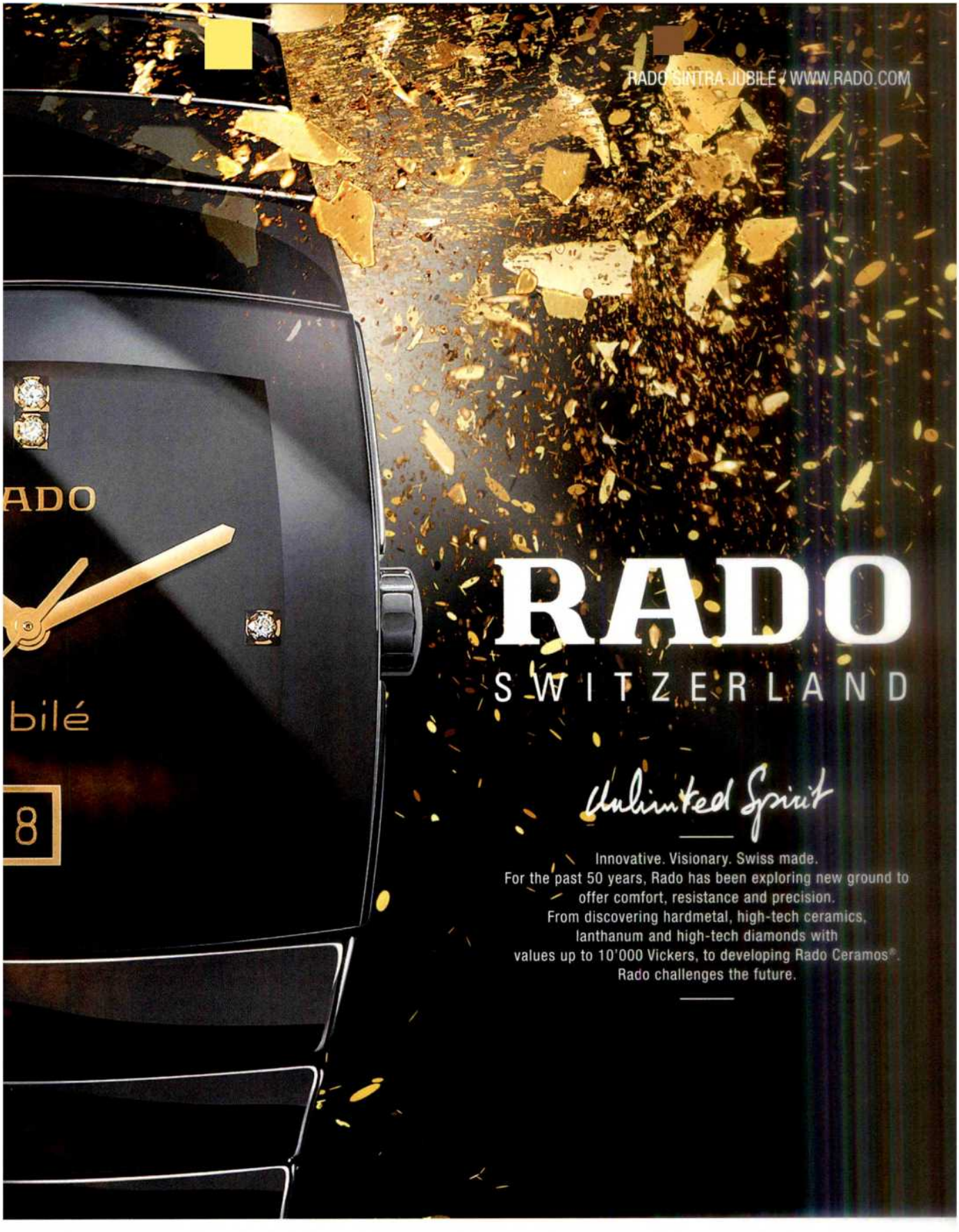

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CONTENTS DECEMBER /25/2011

Volume 20/Number 26

UPFRONT

14 | Quick takes on major events of the last fortnight

FOCUS

16 | Hard Times
Higher input costs and a falling rupee are set to dent corporate profitability further

COLUMN
20 | Arvind P. Datar, senior advocate, on the new Companies Bill

28 | Graphiti: No Business Like Show Business

FEATURES

34 | Workaholic Wins
Why and how dark horse Cyrus Mistry got to run the victory lap around Bombay House

40 | Think Consumer, Think Employment
Farmers and consumers will benefit but traders get xenophobic

44 | Founder Falls
Vikram Akula quits. Does SKS Microfinance lose or gain?

72 | Five Elections and a Funeral
As politicians warm up for the five assembly polls to be held in 2012, India's hopes of high growth die a quiet death

80 | Good as Gold
Lending against gold jewellery, the Muthoot brothers emerge as a billionaire family

PHOTOGRAPH BY VIVAN; COVER BY KAPIL

COVER STORY

58 | Gaur, the Builder
With Formula One success behind him and the Yamuna Expressway stretching ahead, Manoj Gaur, the boy from a government school, stakes claim for a seat at India Inc.'s high table

86 | Here Comes the Sun
Direct investment inflows from Japan have jumped 18-fold in five years. A close look at what is behind this rising interest in India

94 | Funding on Tap
Subsidy delays spur irrigation companies to think about lending to farmers

102 | No Kidding
The children's wear industry is serious business

106 | Lady Luck
With four mega successes in two years, Kareena Kapoor surges ahead of all other Bollywood performers

113 | Daddy Cool
Godrej Appliances was losing market share. How it fought back by connecting with the young

MONEY

118 | Shares on the House
A bonus issue is usually good for the stock, but not always

LBNL

122 | Romancing the Stone
The Jaipur auction ensures this global polishing centre gets a regular supply of emeralds

P-TECH
126 | Bringing Up Father

EXECUTIVE HEALTH
127 | Run, Chief, Run

BOOKEND
130 | Science of Greatness
The book maintains discipline is as important for success as creativity

CAREERS
132 | Healthy Ideas

138 | PEOPLEBUSINESS

LEADERSPEAK
142 | Michael Boneham
President & MD, Ford India

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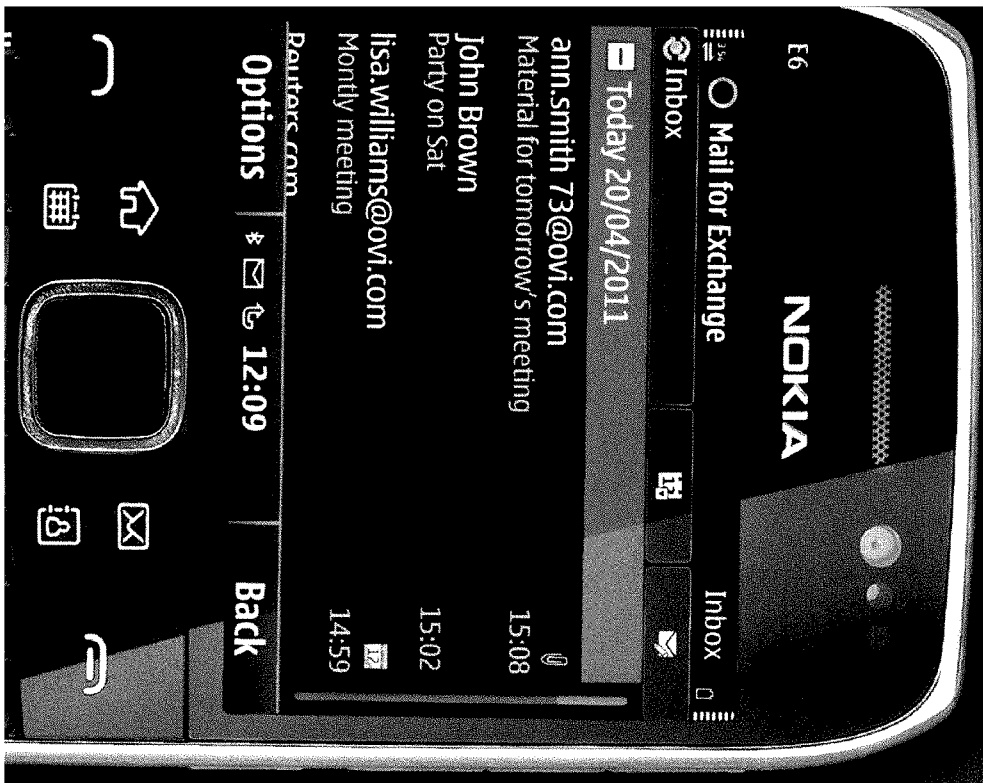

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Re: Letters To The Editor

Innovative, Indeed

With its focused approach, clarity of concepts, scrutiny of contents, pervasiveness of utility and incidence of implication across business platforms globally, your cover package (*Eight Innovations That Delighted Consumers and What India Can Learn from Them*, December 11) was not just innovative, but informative too. The joint study by *Business Today* and consultancy firm Monitor Group will definitely open new vistas of opportunity for Indian entrepreneurs. What added even more colour to the package were the conceptualisation of the notion of innovation, the selection of fields, the treatment, the projection of results and the parallel dovetailing of the functionality of ideas and models in Indian market conditions.

B. Rajasekaran, *Bangalore*

Good Job

Kudos to *BT* for focusing on innovation and giving it the recognition it truly deserves by putting it on the cover of its 25th issue of the year. It was a comprehensive package and the impressive bit was the fact that you went a step ahead of merely showcasing eight global innovations. Letting well-known and respected business leaders, such as Nokia India's D. Shivakumar and Bharti Airtel's Sanjay Kapoor, among others, study each case in an Indian context only added more depth to each piece.

Priya Singh, *Chandigarh*

Tangled Wings

There is a raging debate on whether Kingfisher Airlines should be bailed out or not (*On a Wing and a Prayer*, December 11). Your story has rightly highlighted that the problems of the airline industry are much deeper than Kingfisher Airlines's immediate cash crunch. It is important to understand the economic realities of this industry, where all listed entities – from SpiceJet to Jet Airways to Kingfisher Airlines – have together lost over ₹1,500 crore in a single quarter, even as Air India continues to lose ₹600 crore every month. Will bailing Kingfisher Airlines out address the root cause of the problem? No, it will only lead to Jet or SpiceJet failing next. What's more, the government's plan to use taxpayers' money to bail Air India out is a total waste.

Mimi Sen, *Kolkata*

Your cover package was not just innovative, but informative too. The joint study by *BT* and consultancy firm Monitor Group will definitely open new vistas of opportunity for Indian entrepreneurs

www.businesstoday.in/coverstory: *Eight Innovations That Delighted Consumers and What India Can Learn from Them* (December 11)

www.businesstoday.in/coverstory: *India's Best Banks 2011* (November 27) is an annual survey of the country's best banks

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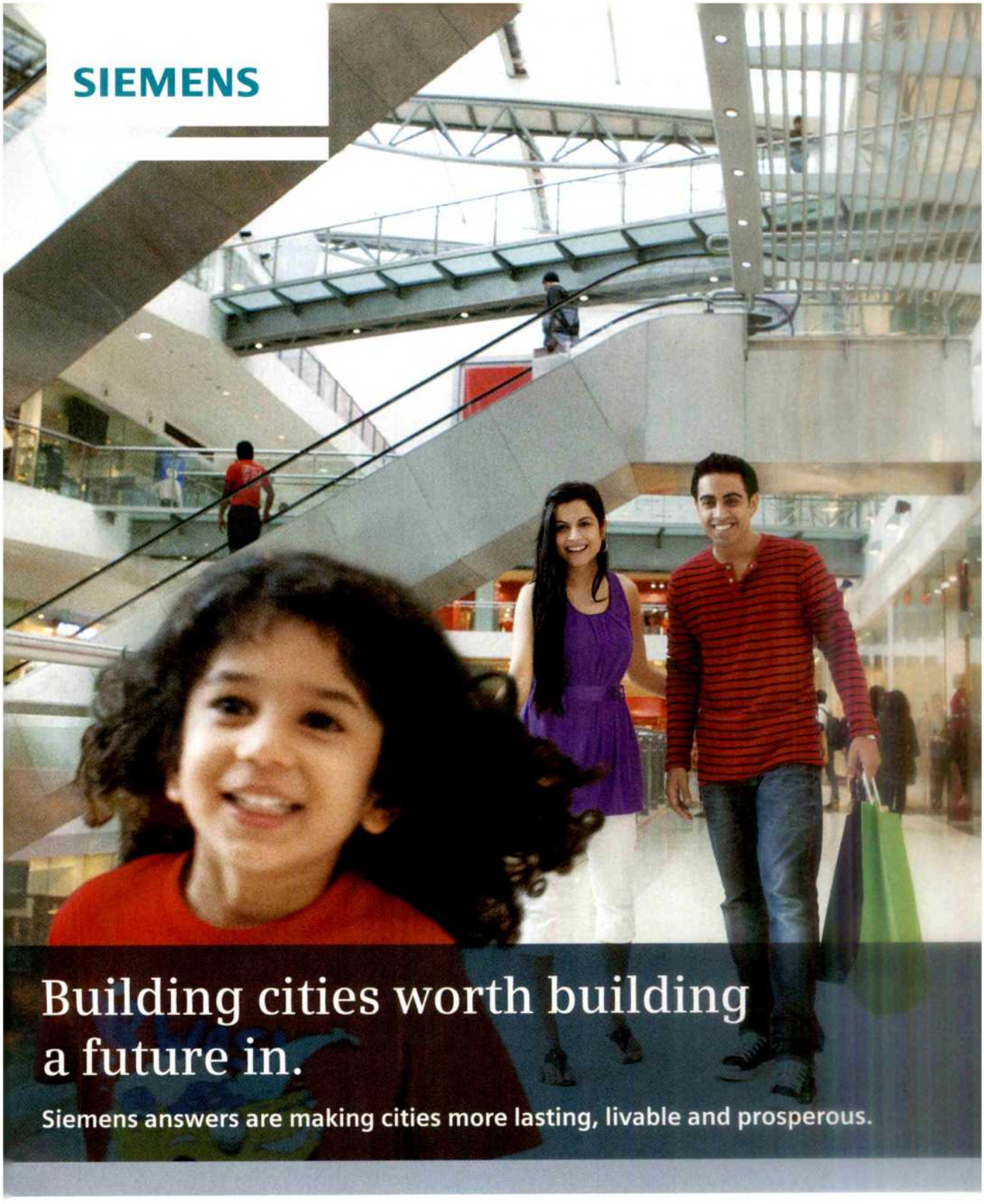

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An innovative group of gemstone auctioneers have an ambitious plan to start grading emeralds. See photos from the workshops.

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Kareena Unbound

The ultimate A-lister opens up about how she manages her valuable brand. Read an exclusive interview.

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A World of *Jugaad*

Josey Puliyenthuruthel takes on critics when he defends the concept of *jugaad* as central to global innovation, in this week's podcast.

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In Plane Terms

Kushan Mitra delves into the esoteric world of aircraft financing and wonders what makes one airline succeed, while another fails.

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PERSPECTIVE HIGHLIGHTS

Suman Layak
Irishman at the Helm

The Tatas bowled a googly when they chose an Irishman as Ratan Tata's successor.

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E. Kumar Sharma
Fat Returns from Lipitor

The blockbuster drug Lipitor is now off patent, and one Indian pharmaceutical company stands ready to profit.

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Rajiv Bhuva
Markets Bloodbath

The Sensex descended below the psychologically significant 16,000 mark. What might this mean?

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BLOGS

Book Bazaar
Debashish Mukerji

New measures mean it might be possible to figure track how many books are sold in India.

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Word Mentality
Uma Asher

The use and abuse of the word "revert".

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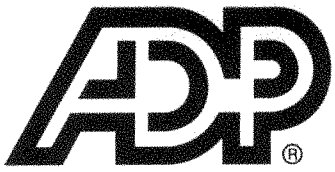

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PTI

In a breather for corporate executives embroiled in the **2G scam**, the Supreme Court nod led to a spate of bail applications being accepted. The lucky ones include **Unitech Wireless MD Sanjay Chandra**, **Swan Telecom Director Vinod Goenka** and **Reliance ADAG's Hari Nair, Gautam Doshi** and **Surrendra Pipara**. **DMK MP Kanimozhi** (in picture), too, managed bail. **A. Raja** has not moved court as yet.

Corporate

Mukesh Ambani's bid to buy **Bharti Group's** equity in two insurance ventures with French group **AXA** has fallen through. According to a Reliance Industries statement, the parties could not agree on the long-term vision and joint governance of the ventures. Separately, **Reliance** plans to raise over **$1 billion** in foreign currency convertible bonds. It is likely to use the proceeds from the 10-year bonds to fund its shale gas ventures in the United States, and for investments related to its Jamnagar refinery.

CARICATURES BY SANTOSH

Car makers, caught in a sluggish market, finally had something to cheer about. November saw much-needed growth, spurred mainly by new models. Hyundai's sales increased 10.97 per cent to 35,000 units over the same month last year. Tata Motors' domestic passenger vehicles sales stood at 27,737 units, up 80.81 per cent. There was no respite for market leader Maruti Suzuki, though. It reported a 19 per cent fall in sales to 82,870 units.

Despite the slowdown, Hero MotoCorp, the world's biggest two-wheeler maker, decided to raise wages across the board. Hero's factories are in the same Gurgaon-Manesar industrial belt which has Maruti's new plant, the scene of crippling strikes through this year.

Ranbaxy Laboratories launched the generic version of the world's largest selling drug, **Lipitor**, in the US. Moving quickly after **Pfizer's** patent on the drug expired, Ranbaxy got the nod from the US Food and Drug Administration to make and sell atorvastatin, the chemical name for Lipitor. The cholesterol-reducing medicine fetched $10 billion in global sales in 2010. Ranbaxy has also roped in Israel's **Teva Pharmaceuticals** to maximise its gains – which could touch $600 million – during the 180 days of exclusivity the latter enjoys.

Air India's financial restructuring plan is ready to take off. A consortium of lenders, including **State Bank of India**, **IDBI** & **Bank of Baroda**, broadly cleared the plan. The government is considering a package of about ₹30,000 crore for the airline over 10 years.

Mark Zuckerberg's Facebook said it planned to raise about $10 billion in an initial public offering. This would value the world's largest social-networking site at more than $100 billion.

It is not just in India; high fuel costs are hurting airlines elsewhere, too. American Airlines, the third-largest US carrier, and its parent AMR, filed for bankruptcy protection to cut labour costs. AMR has assets of $24.72 billion and liabilities of $29.55 billion.

Economy

The Indian economy expanded at its slowest pace in over two years in the July-September quarter. **The gross domestic product grew by 6.9 per cent in this period, compared with 8.4 per cent a year ago.** Hard days are ahead, warned Finance Minister Pranab Mukherjee.

Global rating agency **Standard & Poor's** affirmed an investment grade with a 'stable' outlook for 10 Indian banks, including **State Bank of India**, **ICICI Bank**, **HDFC Bank**, **Axis Bank** and **IDBI Bank**. This comes soon after S&P downgraded as many as 15 large banks globally, including **Bank of America**, **Citigroup** and **Goldman Sachs**.

Political tremors were felt in Kerala and Tamil Nadu over a dam. **Kerala Chief Minister Oommen Chandy asked Tamil Nadu to lower the water level of the Mullaperiyar Dam**, for safety reasons – the structure is more than 100 years old and the region where it is located has seen several tremors lately, at least 20 since July. Tamil Nadu moved the Supreme Court accusing Kerala of whipping up a "fear psychosis".

$58 bn

Estimated remittances to India, making it the highest recipient, in 2011, according to a World Bank report. Remittances to developing countries are likely to rise by a fifth to $351 billion this year.

74.4%

The fiscal deficit increased to ₹3.07 trillion (1 trillion equals 100,000 crore), or 74.4 per cent of Budget estimates, in the first seven months of 2011/12 compared with 42.6 per cent during the same period last year.

0.78 paise

Reduction in petrol prices per litre by state-owned oil marketing companies. This is the second cut in less than a month.

Markets

At least 25 companies, mostly real estate and power firms, have called off their initial public offers, or IPOs, in 2011 faced with a sluggish market. They were expected to raise ₹31,000 crore to fund expansion plans, according to brokerage firm SMC Global Securities. The companies had obtained the approval of market regulator SEBI, but could not launch their IPOs within the validity period of one year from the date of approval.

The Insurance Regulatory and Development Authority has stipulated that only those life insurers which have completed 10 years of operations will be allowed to float IPOs. There are 24 life insurance companies in India with total assets worth ₹13 trillion. Less than a dozen of them are eligible, but they too may tap the market only after conditions improve.

Coming Up

The Auto Expo 2012, beginning on January 7 in New Delhi, will showcase at least 60 new vehicles, and more than 1,000 in all. In the global line-up are BMW Mini, Bugatti, Audi and Mercedes Benz. Sports utility vehicles and super bikes, including Triumph and Harley Davidson, are expected to steal the show. India's largest car maker Maruti will exhibit its new SUV.

The Reserve Bank of India will come out with its third quarter review of the monetary policy for the current fiscal year on January 29. The apex bank's review may signal another interest rate hike to tighten money supply to contain rising inflation.

FOCUS

20 New Companies Bill
22 The Ex-factor
24 The Rich and Clever
28 No Business Like Show Business

Hard Times

Higher input costs and a falling rupee are set to dent corporate profitability further.

By RAJIV BHUVA

If a final confirmation of India's worsening economic situation was needed after a string of disparate signals over the past months, it came on the last day of November. Data put out by the Central Statistical Office showed a significant pullback in growth during the July to September quarter. The 6.9 per cent growth in the gross domestic product, or GDP, during the period was the slowest in more than eight quarters, pulled down chiefly by the mining and manufacturing sectors. Although the slowdown was evident across all sectors of the economy, what really raised the hackles was the dip in gross fixed capital formation, a harbinger of growth slowing down further.

How has the corporate sector fared amid all

BLOOM'S TAKE

The rupee has room to fall further, and if global growth expectations continue to decline and dollar liquidity pressures intensify... we believe the dollar-rupee rate could reach the 58 level

David Bloom
Global Head of Forex Strategy, HSBC Bank

this? An analysis of the performance of BT500 companies over the past two quarters tells its own tale of woe. These companies recorded a healthy top line growth of 25 per cent, but their operating profit fell to 11.70 per cent while their net profits declined by 18 per cent over the same period last year.

A 30.59 per cent growth in raw material costs proved to be the biggest profit margin pincher for companies. "Companies are not in a position to pass on the higher raw material prices through price hikes," says Dipen Shah, Head of Fundamental Research at Kotak Securities. While the rally in commodity prices during the first half of the year has cooled off to an extent, the sticky inflation in the economy remains a source of constraint.

Says Nick Paulson-Ellis, India Head of Espirito Santo Securities: "The inability to pass on higher input costs was more evident among smaller companies." He says that the operating profit margins of Espirito Santo's small cap universe of companies with market capitalisation of less than $250 million contracted by 460 basis points compared to a 100 basis points contraction for large caps that market capitalisation above $5 billion.

According to Paulson-Ellis, larger companies with strong brands are in a better position to cope with higher input costs, as they enjoy better pricing power and are able to exploit inflationary conditions to push through price rises. But if higher prices run into lower demand, after a point the consumption story will hit a roadblock.

The companies' profit margins also came under pressure due to the rise in the prices of power and fuel, and salary costs, which grew over 28 per cent and 15 per cent, respectively, during the period.

Also, for 423 non-banking and non-financial services companies from the 2011 list of BT500 companies, interest costs rose by 33.56 per cent during the first two quarters compared to the same period last year, thanks to the 375-basis point hike in policy rates over the past 20 months by the Reserve Bank of India. "Most companies are debt-heavy, but some have seen over 50 per cent annual growth in interest outgo in recent quarters," says Shah of Kotak Securities. Adds Espirito Santo's Paulson-Ellis: "Input cost inflation and higher interest expenses have been margin squeezers over the last three quarters."

And now there is the added uncertainty of the rupee. While the rupee has traded at an average of ₹46.06 to a dollar in January-November 2011, it strengthened to ₹43.95 on July 27 before weakening to ₹52.70 on November 22, a fall of nearly 20 per cent since July 27. "The companies that are hedging their exposure would not have hedged for the current levels of surprise," says Paulson-Ellis.

According to David Bloom, HSBC Bank's Global Head of Foreign Exchange Strategy, the cataclysmic changes in the Euro zone are not leaving any economy untouched and in that respect, currency has to be seen in a relative context. "In last three months, the long-term prospects of India have not changed a bit," says Bloom. "But that of the

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Extrapediately

Meaning: This word is used when a task needs to be completed almost instantaneously; considered more powerful and demanding than ASAP and STAT.

Origin: The word has gained popularity since it was voted one of the best words invented in 2008.

Usage: "The team extrapediately managed to undo the damage."

US and Europe have changed."

There are worries about foreign institutional investor, or FII, inflows, too. Even though there have been no significant FIIs outflows – just $354 million – this year, this has been due to the relative immunity showed by India in 2008, when global markets were seized by a slowdown, and the widely-held perception that it would be a hedge to a global slowdown, according to a mid-October equity research report by Credit Suisse. "We, however, feel that this optimism is misplaced, and FII inflows are likely to stay muted over the next six to 12 months," say the co-authors of the report, Neelkanth Mishra and Karthik Visvanathan. This is not just because of the disproportionately high inflows over the last several years, but also because the earnings growth is likely to remain muted for sometime. "FII inflows in the past have been driven by earnings growth expectations," the report adds.

"Investors are in the mood of surviving and not thriving," says HSBC Bank's Bloom. "The rupee has room to fall further, and if global growth expectations continue to decline and dollar liquidity pressures intensify... we believe the dollar-rupee rate could reach the 58 level," he adds.

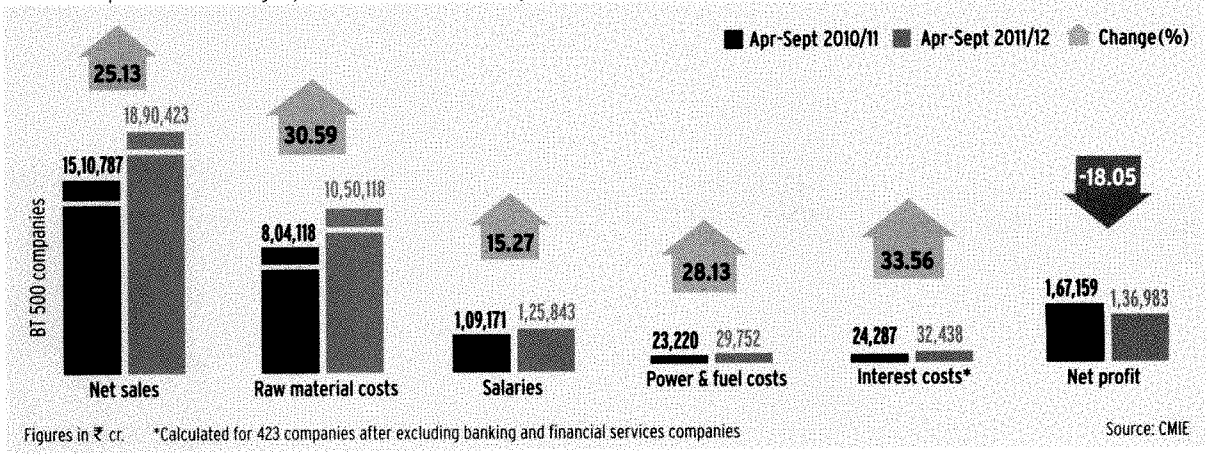
Further weakening of the rupee could spell more trouble for Corporate India. Oil marketing and metals and mining companies will be the biggest losers as imports will become costlier. On the other hand, companies in the pharmaceutical and information technology, or IT, sectors will stand to gain from it. "For every one per cent of rupee depreciation in the average exchange rate in the period, IT companies have a 30 basis points' positive impact on their margins," says Paulson-Ellis.

But, in general, a weaker rupee will start impacting companies on their external commercial borrowing, or ECB, repayments, when companies will have to book mark-to-market losses in their profit and loss accounts. In 2011, Indian companies have raised over $30 billion debt abroad to take advantage of lower interest rates. New Delhi-based SMC Global Securities estimates that the additional burden on companies on account of ECBs will be around $5.4 billion, or over ₹28,000 crore.

So, are we going back to 2008? The Sensex has lost 21.95 per cent in 2011, up to November 29, but in dollar terms the decline is more than 32 per cent. But Paulson-Ellis thinks otherwise. The current valuation of the Indian market at 13.1 times one year forward price to earnings, or P/E, is below the 10 year average of 14.3 times, but not yet at the capitulation levels of sub 10 times we saw in 2008. "India is trading below historic averages, but is not cheap enough to be sure it has found a floor given the level of domestic and global uncertainties".

FEELING THE SQUEEZE

Indian companies are facing a pincer attack from rising input costs and a falling rupee



Figures in ₹ cr. *Calculated for 423 companies after excluding banking and financial services companies

Source: CMIE

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The Incredulity of the New Companies Bill

THE MINISTRY OF CORPORATE AFFAIRS HAS NEVER HAD THE COURAGE TO PROSECUTE SERIOUS VIOLATIONS. THE FAULT LIES NOT IN OUR LAWS BUT IN THEIR EXECUTION

Last week, the Union Cabinet cleared the Companies Bill, 2011. Ironically, the electronic media welcomed the Bill as a step in the right direction even before its text was released to the media. It has become an unfortunate obsession with the Ministry of Corporate Affairs to repeatedly try and replace the existing Companies Act, 1956, in the hope that a new Bill will be a cure for the ills that plague the corporate sector. The tragic feature of our economy is the attempt to solve problems by merely enacting new laws. The pathetic attempt to cure industrial sickness by Sick Industries (Special Provisions) Act, 1986, is perhaps the best example. Industrial sickness was never cured and the manner in which the Board of Industrial and Finance Reconstruction functioned became a matter of serious concern. In the end, the provisions of that Act were widely misused.

The Companies Bill, 2008, lapsed with the dissolution of the 14th Lok Sabha. It simply became Companies Bill, 2009, but was not enacted by Parliament. The latest Companies Bill, 2011, is perhaps based on the 2009 draft with a few changes.

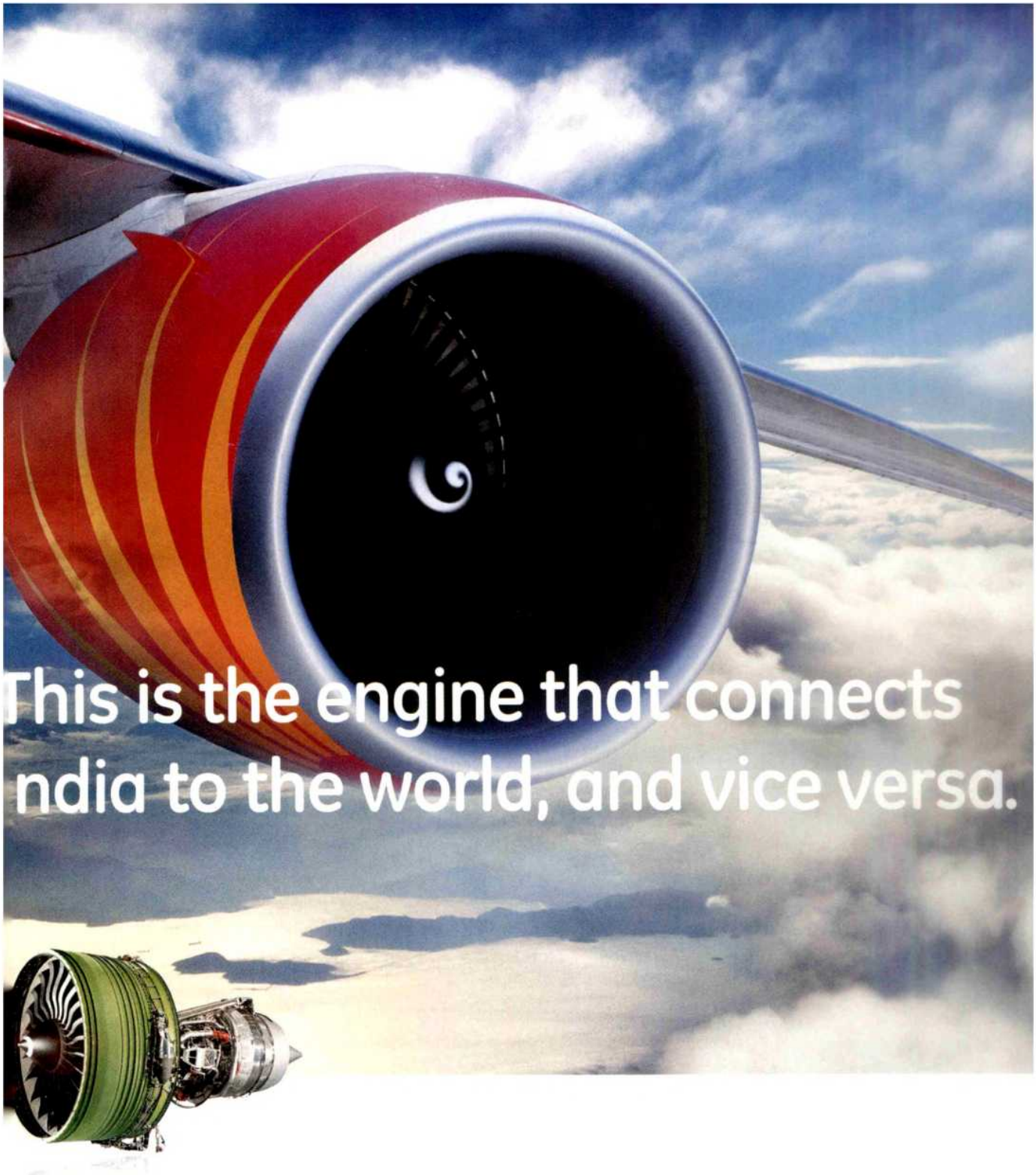
The changes that were touted as major reforms in 2009 Bill could have been simply incorporated in the Companies Act, 1956, with a few amendments. According to media reports, the Companies Bill, 2011 now seeks to impose an obligation on all companies to contribute two per cent of their average profit of the preceding three years towards Corporate Social Responsibility, or CSR. This provision is unworkable and once again bound to be abused by the vast majority of companies that do not obey the law, and will only make life more miserable for companies that are managed well. Will the mandatory two per cent contribution be eligible for tax deduction? Can a company decide what its CSR is? For many successful companies, a significant part of their profit is already eroded in meeting the requirements of "deferred tax liability". In addition, it is now proposed to burden companies with a two per cent obligation. It will be far better to promote CSR through tax incentives than to make it compulsory under the Companies Act.

Another absurd idea in the 2009 Bill was the creation of an "Investor Education and Protection Fund". In the past, similar funds have served no purpose at all. For example, excise and customs duties which cannot be refunded are supposed to be credited to the Consumer Welfare Fund. Till date, it is not known what welfare of consumers this fund has promoted. Another ridiculous idea is the proposal to create special courts and company prosecutors.

The major failure on the part of the Ministry of Corporate Affairs is that it has never had the courage to prosecute serious violations. More than ₹16,000 crore were lost through the issue of fraudulent prospectuses by vanishing companies, but not one conviction has been reported. Section 628 of the Companies Act provides for five years imprisonment if any balance sheet, return or report contains a false statement. In the last 55 years, there have been virtually no convictions under this section. Statistics show that the vast majority of criminal complaints are simply compounded, and utterly frivolous complaints are frequently filed only for statistical purposes.

The fault lies not in our laws but in their execution. The solution is, therefore, not in a new Bill. The solution is for the ministry to strictly implement the detailed provisions of the 1956 Act. It is a well drafted law that has stood the test of time and has ample provisions to prosecute and punish fraudulent directors. If the ministry can charge-sheet and convict a dozen directors, it will serve the cause of good corporate governance more than the most perfectly drafted company Bill. As the Nike ad says: Just do it.◆

The author is a senior advocate of the Madras High Court



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The Ex-factor

Former bureaucrats are becoming convenient choices as independent directors on PSU boards. By ANILESH S. MAHAJAN

In November, there was a rush by ministries to speed up the appointment of independent directors in public sector undertakings, or PSUs, under their wings. The reason: they were being goaded by the government to quickly fill the vacancies in PSU boards so that it could push ahead with its stake sale in some of them.

That was not surprising. The decision for a stake sale in any company must be approved by its full board, half of which should comprise independent directors, as per the Securities and Exchange Board of India norms. In fact, one of the reasons why Oil and Natural Gas Corporation had to put off its follow-on public offer to offload the government's five per cent stake in November was because it did not have a full board.

What came as a surprise, though, were the names recommended to the Cabinet for approval. For instance, the petroleum ministry's list of appointees to the boards of various oil and gas PSUs read like a Who's Who of India's recently retired bureaucrats. It included Gopal Krishna Pillai, Shyam Saran, Sushma Nath, Vivek Mehrotra, P.V. Bhide, and Rajendra Pal Singh, former secretaries in the ministries of home, external affairs, finance, and minority affairs, and the departments of revenue and of industrial promotion and policy, respectively. Others in the list were O.P. Bhatt, A.C. Mahajan and A.K. Khandelwal, former chiefs of State Bank of India, Canara Bank and Bank of Baroda, respectively, as well as former Reserve Bank of India deputy governor Shyamala Gopinath, management guru G. Raghuram and IIM Ahmedabad Director S.K. Barua.

Justifying these appointments, a petroleum ministry official says: "All of them bring in so much experience. These are big companies that are expanding abroad to ensure energy security for the country. Certainly they would benefit from big names as their directors." Officials at the ministry also cite a shortage of suitably experienced people who are willing to join, as a reason for appointing bureaucrats. Ever since the Satyam scam, which put the role of independent directors under the scanner, people have been reluctant to take up such posts in the absence of their liabilities being defined in the Companies Act.

A section of officials, however, believes that most bureaucrats who manage to get themselves appointed to plum posts after retirement do so by virtue of their clout in the corridors of power, rather than any expertise. "Nowadays, most bureaucrats start lobbying for such plum posts even before they retire," says an official from department of personnel and training.

The reason the latest appointments have come as a surprise is, perhaps, their sheer number. Or else, bureaucrats landing key posts after retirement is a fairly routine affair.

GETTING ON BOARD

ONGC
- O.P. Bhatt
- Sushma Nath
- S.K. Barua

GAIL
- Vivek Mehrotra
- A.K. Khandelwal
- R.P. Singh
- P.V. Bhide

HP
- G.K. Pillai
- G. Raghuram
- A.C. Mahajan

Indian Oil
- Shyam Saran
- S. Gopinath

"NOWADAYS, MOST BUREAUCRATS START LOBBYING FOR PLUM POSTS EVEN BEFORE THEY RETIRE."

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Rich and Clever

Nokia's first Windows Phone 7 device is extremely easy to use. It is a perfect illustration of how good hardware and software can combine to make a great device. While we still feel that Windows Phone 7 allows for minimal product differentiation when it comes to user experience, Nokia has some clever applications of its own – and a great camera to boot. We will wait to see how Nokia Mix Radio works out, but Nokia Drive is a good navigation software.

Nokia Lumia 800

Good looking, nice in-built Nokia apps

Cheaper than an iPhone 4S, but still pricey

Price: ₹29,990

TomTom Via 125

One for the Road

Would you buy a stand-alone GPS Navigator, which comes as a standard feature anyway in most smartphones nowadays? Well, personal navigation devices have not yet gone the way of the dodo (or the pocket calculator). This one does work pretty well, except in areas that are not loaded into its map. Features such as voice recognition and some interesting display make this device useful for the hopelessly-lost driver.

Best in class interface, voice recognition

Maps need more work, but should be fixed soon

Price: ₹19,990

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THE TOP 10 Most Watched Ads

Nokia C2-03 — GRPs 879

1 Rank

Seconds on air: 417,815

Cadburys Bournvita Corp — GRPs 709

2

Seconds on air: 203,890

Vivel Active Fair — GRPs 704

3

Seconds on air: 368,490

Nokia C2-00 — GRPs 699

4

Seconds on air: 316,760

Sony Bravia LED TV — GRPs 570

5

Seconds on air: 296,935

Hyundai Eon — GRPs 569

6

Seconds on air: 242,185

Dulux Paints — GRPs 567

7

Seconds on air: 276,945

Canon Digital Ixus HS — GRPs 566

8

Seconds on air: 200,820

Coca-Cola — GRPs 559

9

Seconds on air: 404,075

Ariel Oxyblu — GRPs 530

10

Seconds on air: 260,020

Paints, television, camera, lights.... October saw a wide category of brands lighting up the TAM-*BT* listing of most-watched advertisements. There were also the "sale season" regulars such as advertisements for cars, mobile phones and consumer durables. An odd but interesting new entrant was Aashirvaad *atta*. More grist for the marketers' mill.

COMPILED BY SHAMNI PANDE

... THE OTHER 15

RANK/BRAND		GRPs
11	Asian Paints Royale	518
12	Samsung Smart TV	516
13	Pears	515
14	BlackBerry Smartphone 7 OS	515
15	Aashirvaad Select Atta	514
16	Tata Sky HD	503
17	Complan	500
18	Parachute Advanced Body Lotion	499
19	Dove Cream Bathing Bar	490
20	Whisper	489
21	Clinic Plus Shampoo	479
22	Reliance Digital TV	473
23	Pantene Total Damage Care	459
24	Pampers Diapers	457
25	Airtel Digital HD	447

All India CS 4+Yrs; GRP normalised to 30 secs
To see ad duration, visit www.businesstoday.in
Source: TAM Peoplemeter System

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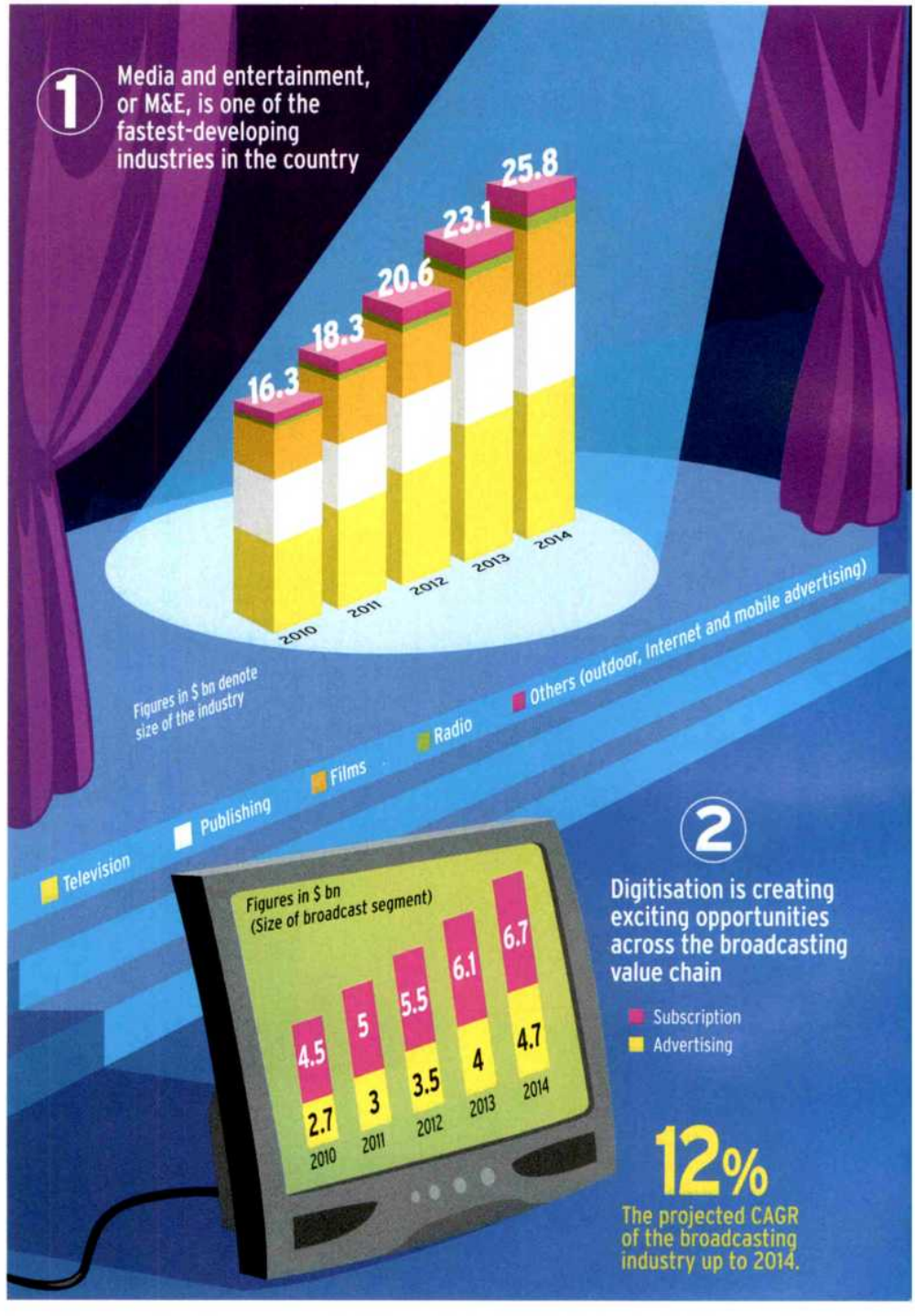
BT RETRO
(FEBRUARY 22, 1999)

The New Apple of My i

THEN My Mac was bac. And, I am pleased to report to fellow Mac-hacs, I was as happy as a round mouse after test-driving its latest version, the decidedly cool i-Mac. Love at first sight. First came a drop-dead-sleek keyboard in black and green. Next, an ergosupernomic round mouse, small enough to hide under your palm. And, beneath them, glory be, an egg-shaped polycarbonate translucent shell. Like the classic Macs, the egg was home to the 17" monitor as well as the CPU motherboard, which Apple calls the Logicboard. And, I rubbed my eyes, little else. Where were the rest of the ingredients, especially the ports and the cables? And the floppy drive? It seems the i-Mac is completely committed to the Universal Serial Bus – the anywhere-anything connectivity port that even PC-makers are moving over to now.

NOW Apple's Mac platform reached its consecutive 15-year high with five per cent (record sale of 4.89 million) worldwide market share. Apple is also planning a major overhaul of the iMac and MacBook Airlines. It is also getting into iCloud, a cloud service.



5 STEPS TO HERE
AIR INDIA'S TROUBLED MERGER

April 26, 2011
Pilots of erstwhile Indian Airlines go on strike, demanding pay parity with Air India pilots. The two carriers were merged in 2007.

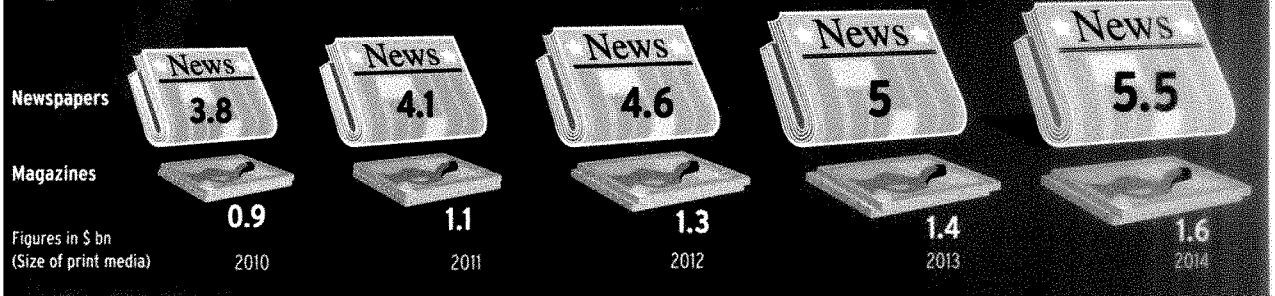
April 27, 2011
The government cracks down on the Indian Commercial Pilots Association, or ICPA, and its members as the strike disrupts services.

NO BUSINESS LIKE SHOW BUSINESS

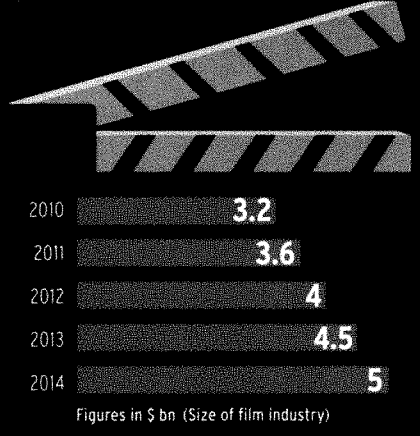
India's thriving media and entertainment industry, together with favourable regulatory norms, provides attractive growth opportunities for global companies, says an Ernst & Young report.

Graphic by **Santosh Kushwaha**

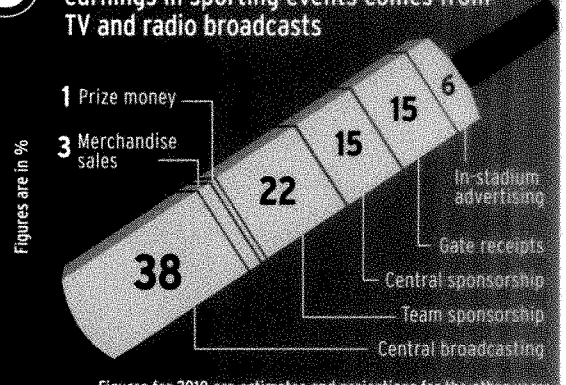
3 The print industry is thriving, thanks to rising literacy and the growth of regional-language and specialist newspapers



4 The Indian film industry is the largest in the world, producing more than 1,000 films a year



5 Cricket still rules. The largest chunk of earnings in sporting events comes from TV and radio broadcasts



Figures for 2010 are estimates and projections for the other years

May 6, 2011
Pilots end stir after assurance that the panel on pay parity would look into their demands and file its report by Nov-end.

October 28, 2011
Former Air India pilots threaten strike, alleging that IA pilots are being given priority for Boeing 787 training.

Nov. 24, 2011
ICPA threatens a fresh stir if issues of pay parity and some allowances are not settled soon.

ANAMIKA BUTALIA

"THE DEBT CRISIS WILL TAKE FIVE TO SEVEN YEARS TO RESOLVE"

SAPTARSHI BISWAS\www.indiatodayimages.com

JITENDRA SHARMA, *the US-based Principal, Advisory Services, KPMG LLP, has a challenging job: managing risk. In India recently meeting clients, Sharma spoke to* ***Sanjiv Shankaran*** *on the debt crisis and what is in store. Edited excerpts:*

On 2008 versus 2011: Same movie but a different chapter. In 2008, the system led to a number of banks failing. A lot of leverage was taken out of the banking system and put on the balance sheets of governments. That led to sovereign debt crisis.

On the financial sector: Whether we like it or not our daily lives are intertwined with the financial sector. Credit is the bellwether for the economy in a more efficient way.

On debt crisis' solution: Political situation is inevitably intertwined with the economic situation. There are two different paths. Hence, the precarious situation. I think the situation we are in today will take five to seven years to resolve.

On emerging markets: They recognise that they were fortunate. They realise that they are not immune to global forces. Reality is many of the banks realise that in the longer term their destinies are intertwined with what is happening in more developed economies.

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dentsucomm//ingersoll rand/928/11

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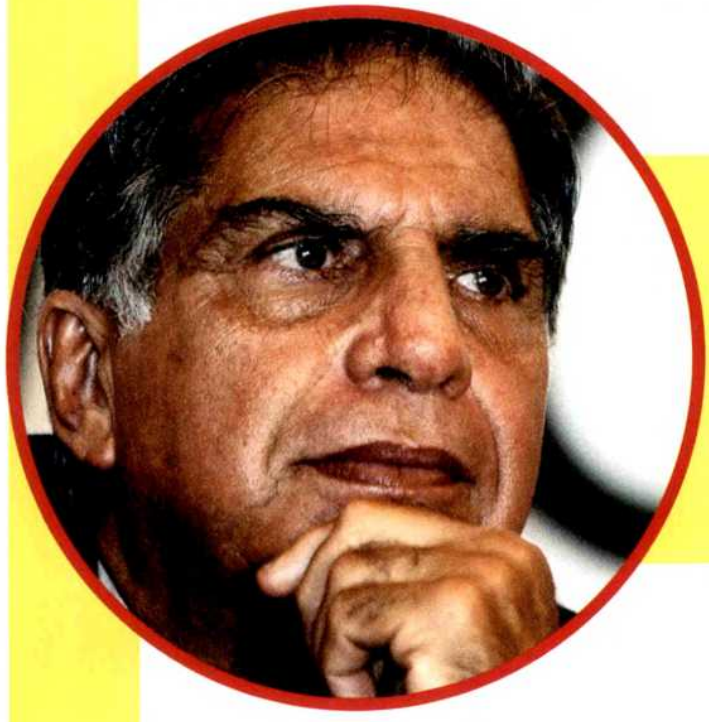
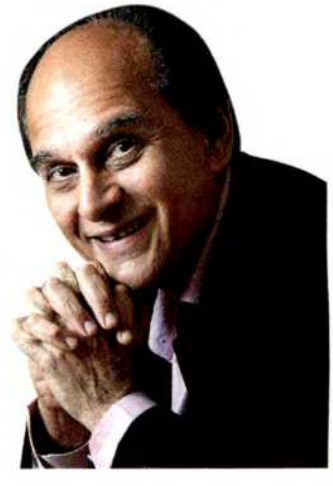
"Cyrus is somewhat of a dark horse."

Harsh Goenka, *Chairman, RPG Group*



"I have been impressed with the quality and calibre of his participation, his astute observations and his humility."

Ratan Tata, *Chairman, Tata Sons*

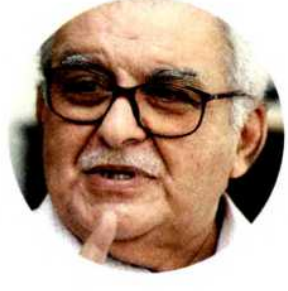


"He is young, an Indian and from the entrepreneur family. Being a visionary, he has to show results through vision, people management and execution excellence."

Harsh Mariwala, *President, FICCI*

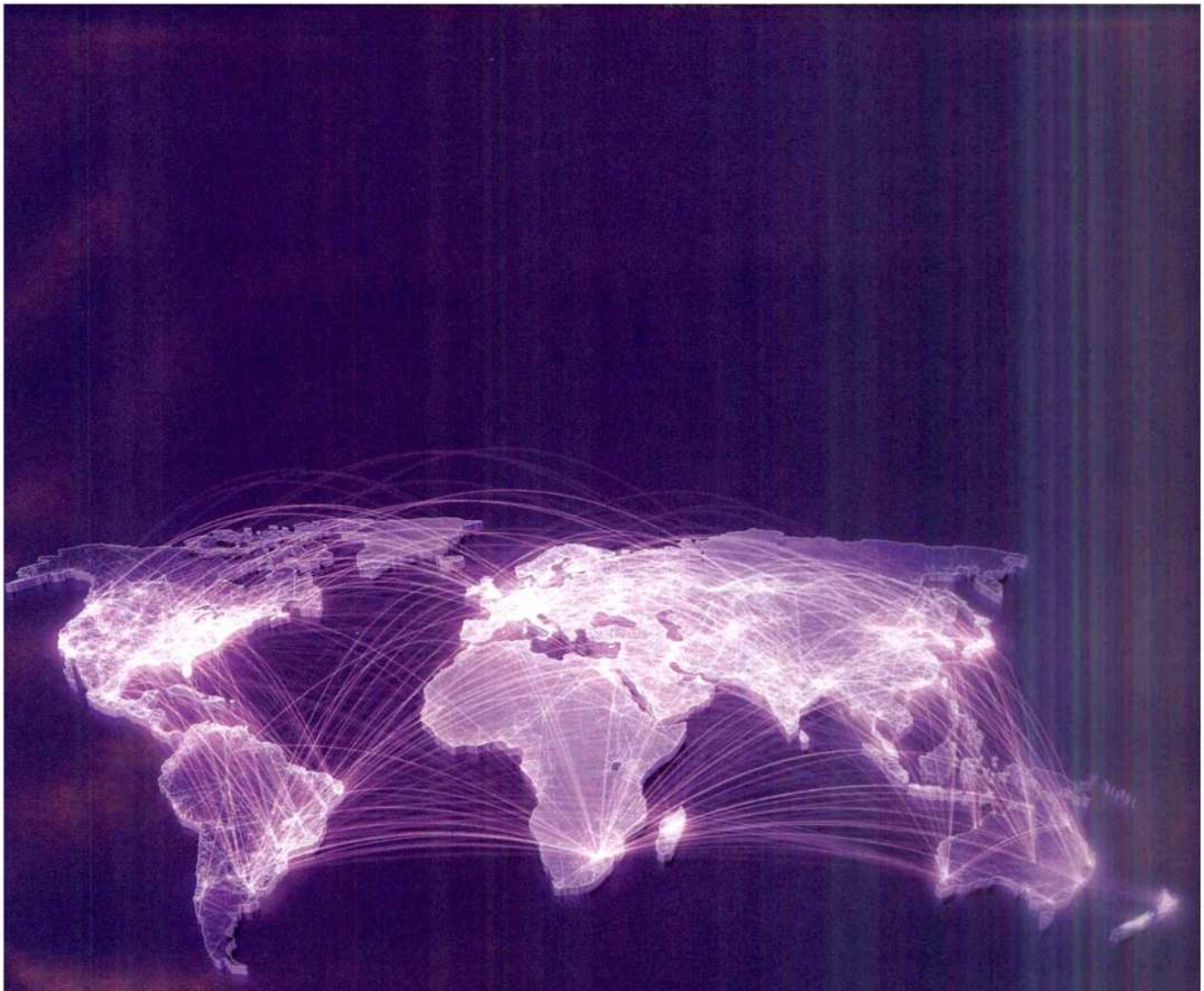
"HE HAS A VERY OLD HEAD ON YOUNG SHOULDERS... VERY MUCH A BOMBAY BOY... I HAVE NEVER SEEN A MORE HUMBLE PERSON."

Iqbal Chagla, *senior lawyer and Mistry's father-in-law*



"There is strong chemistry between Mistry and Ratan Tata. He is very thorough, and has good financial insight. Very appropriate choice."

J.J. Irani, *ex-director, Tata Sons*



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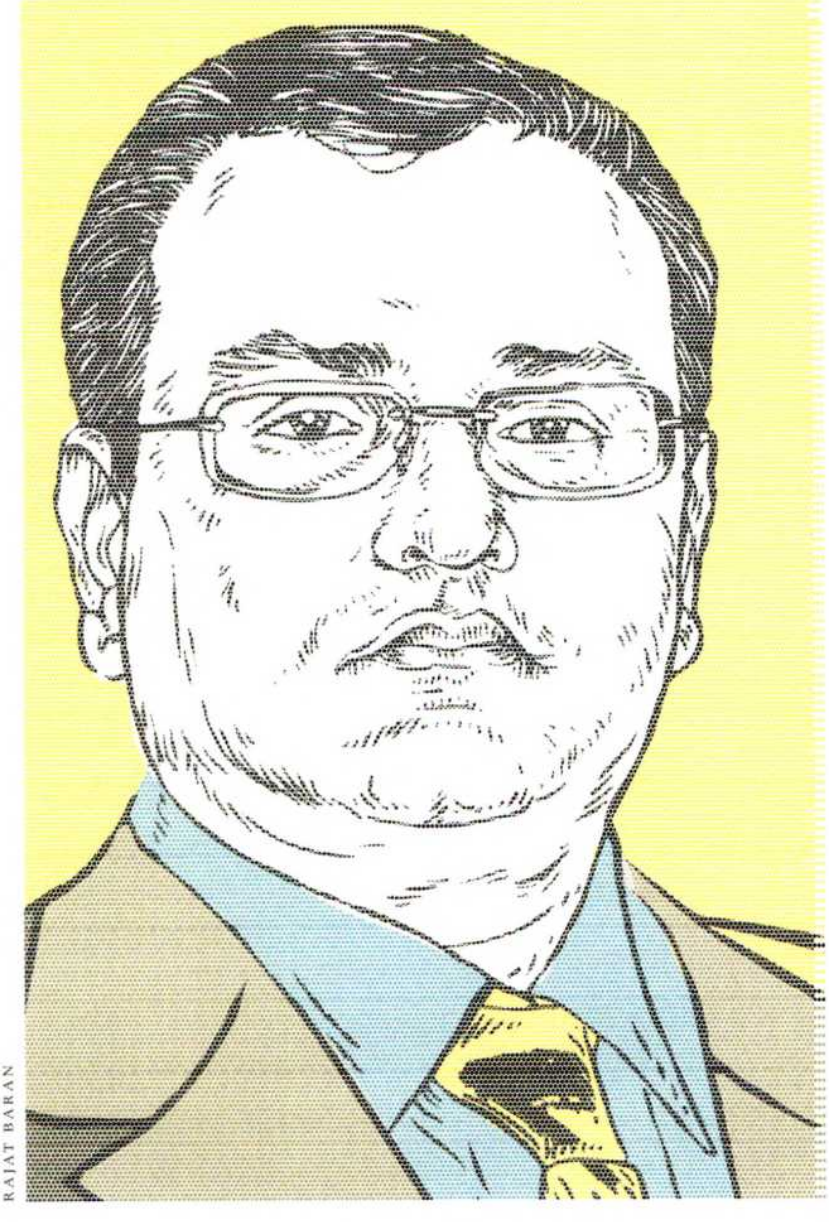
Workaholic Wins

Why and how dark horse Cyrus Mistry got to run the victory lap around Bombay House. By SUMAN LAYAK and ANUSHA SUBRAMANIAN



RAJAT BARAN

Dating his future wife in the early 1990s, Cyrus Pallonji Mistry drove her around in a Maruti 800. Scion of a very wealthy family, he also possessed a Porsche, but preferred the Maruti, calling it more practical and convenient. The choice of vehicle is characteristic of the understated nature of the man who has been named Tata Group chief Ratan Tata's successor. Mistry, 43, uses a Pajero now, but he also bought a Nano soon after Tata Motors launched it.

Mistry's interests include photography – mostly of holiday trips and family photos, which he likes to make large prints of and frame – and the latest in technology. The family's favourite holiday destination may be St. Tropez on the French Riviera, says a person who has known Mistry for years, but they also love visiting Matheran, a hill station close to Mumbai, and Pune. A keen golfter, he is frequently seen at Mumbai's Willingdon Sports Club. His two sons, Firoz, 15 and Zahan, 13, go to the school he went to, south Mumbai's Cathedral and John Connon School.

Amitabh Mundra, Managing Director, Simplex Infrastructure, de-

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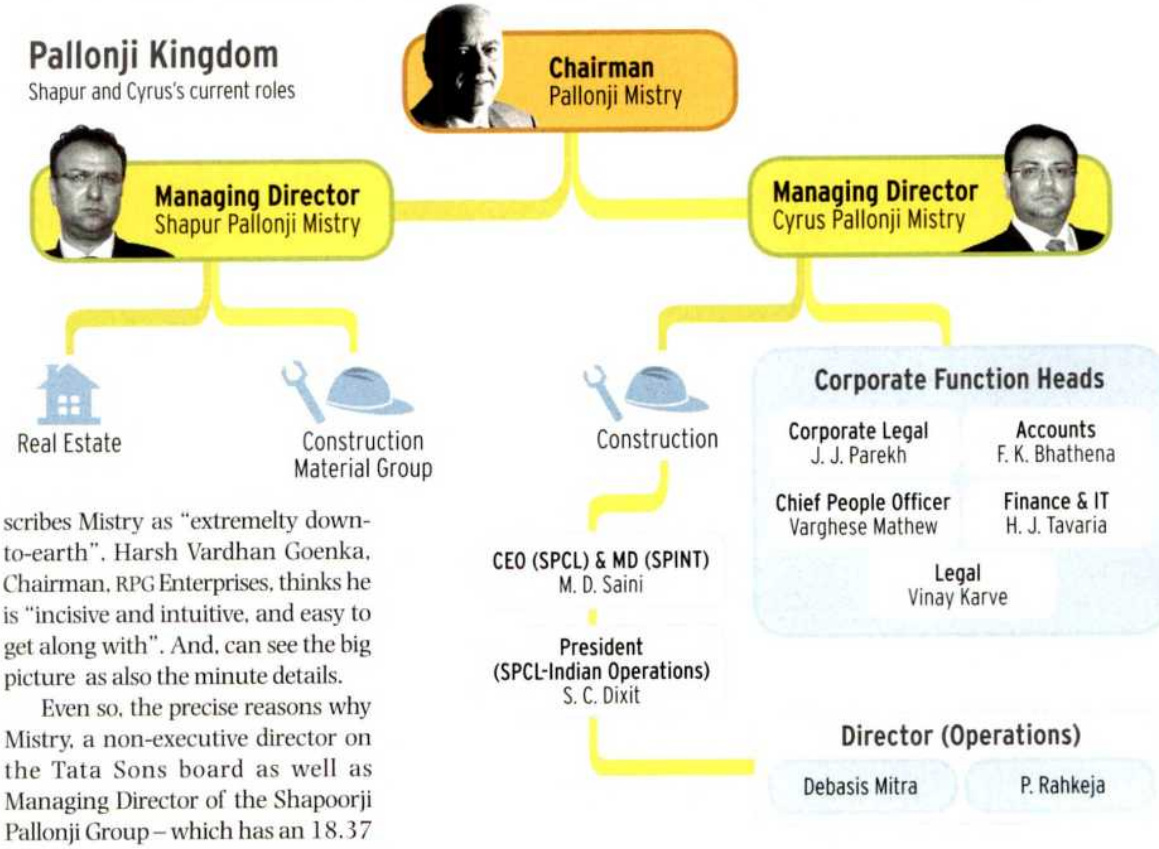


scribes Mistry as "extremelty down-to-earth". Harsh Vardhan Goenka, Chairman, RPG Enterprises, thinks he is "incisive and intuitive, and easy to get along with". And, can see the big picture as also the minute details.

Even so, the precise reasons why Mistry, a non-executive director on the Tata Sons board as well as Managing Director of the Shapoorji Pallonji Group – which has an 18.37 per cent stake in Tata Sons – got the top job, instead of the others whose names were being bandied remains, well, a mystery. Tata Sons declined an interview with Mistry.

Some see a pattern and attribute it to Ratan Tata's push to lower the average age of senior management in the group. N. Chandrasekaran was handpicked to take over as CEO of tech giant Tata Consultancy Services at 46 in 2009. R. Mukundan took the reins of Tata Chemicals at 42 in 2008, the same year Brotin Banerjee became CEO of Tata Housing at 35 and Mukund Rajan, then 40, was appointed head of Tata Teleservices (Maharashtra). N. Srinath got the top job at Tata Communications in 2007 when he was 45.

Other candidates from within the Tata group had also been considered, say insiders. But they were felt to be either too old or too low in the hierarchy. Mistry seemed just the right age. The only person outside the Tata fold looked at was PepsiCo chief Indra Nooyi but she opted out as she was uncomfortable with the Tata Sons structure, finding it too decentralised.

From then on it was a race between Mistry and Noel Tata, Ratan's half-brother, who headed group retail company Trent and later Tata International. But there was also Shapur Mistry, Cyrus's elder brother, who handles the real estate and construction material business of Shapoorji Pallonji. Little is known of the relationship between Ratan and Noel, but the buzz is that all may not be well. What set apart Cyrus from Shapur? It is said of Shapur that he likes to maintain a work-life balance, while Cyrus is a workaholic. Ratan may have preferred the workaholic.

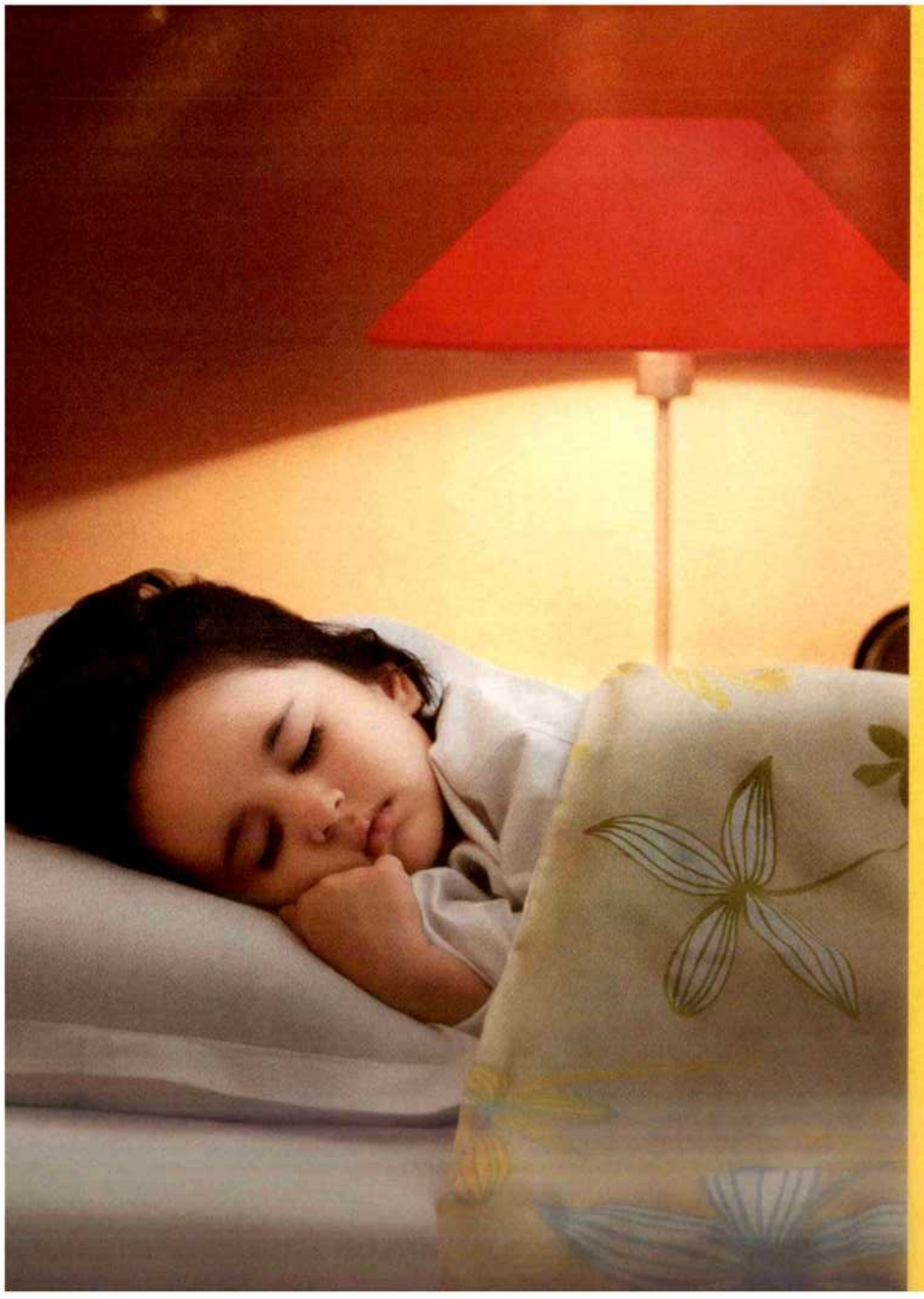
Mistry's professional record is exemplary. Apart from growing the Shapoorji Pallonji group, he is also credited with turning around group infrastructure company Afcons. "That was his biggest achievement," says RPG's Goenka. Mistry's new job, which he will take on after Ratan retires in December 2012, will be more challenging. A. M. Naik, Chairman, Larsen & Toubro, feels Mistry's family stake in Tata Sons "will help just as the Tata surname helped Ratan Tata when he first took over. He will carry more weight."

And, Mistry's personality will not hurt. "Once you meet Cyrus it is impossible to dislike him," says the person close to him.

ADDITIONAL REPORTING BY SANDEEP BAMZAI AND G. SEETHARAMAN

"Pallonji family being the major shareholders in Tata Sons will help Mistry. He will carry more weight"

A.M. Naik, Chairman, L&T



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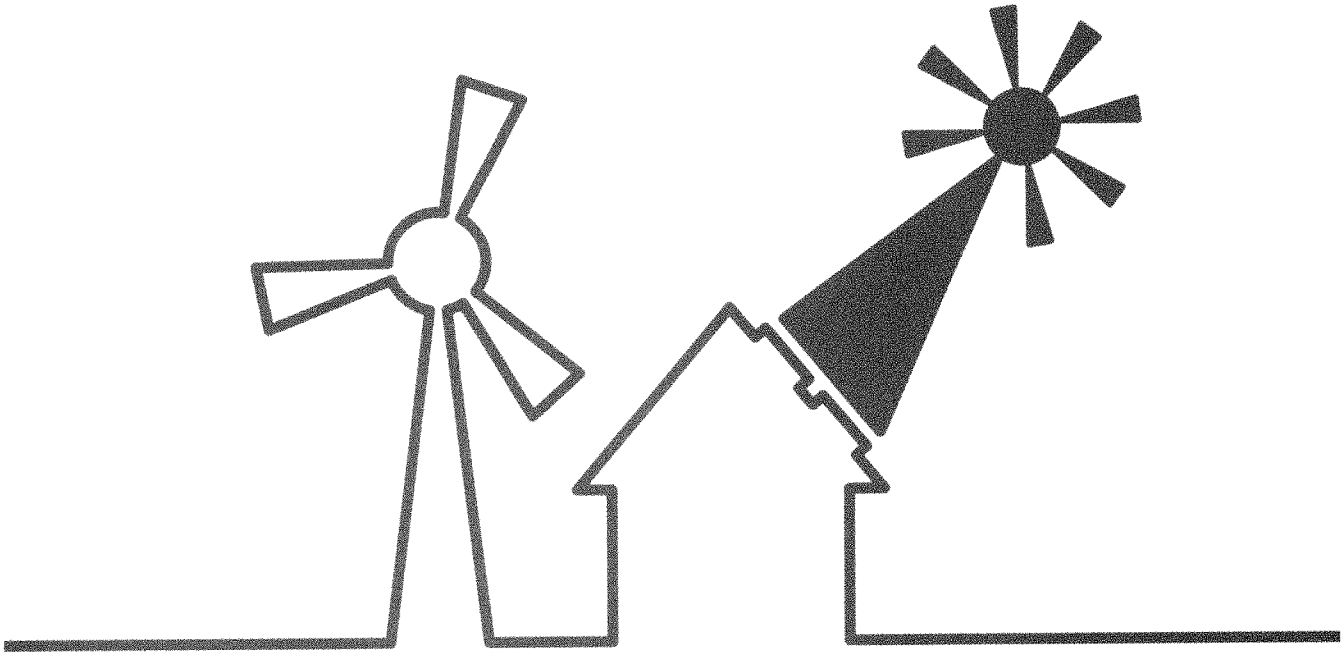

85%

of CFOs, Government Policy Makers and Energy Professionals

Agree that small scale electricity projects should be encouraged with taxation incentives.

Energy

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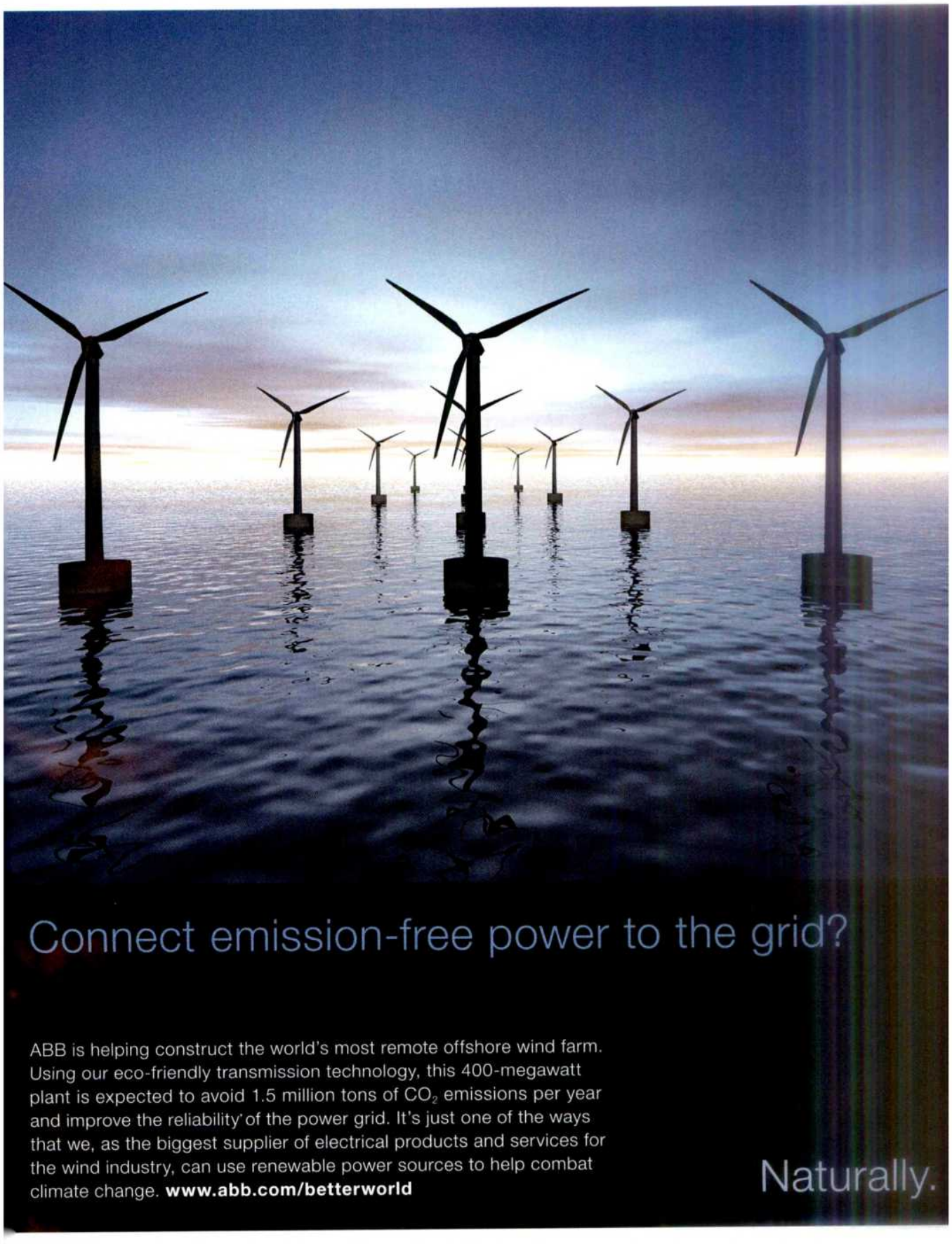

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Think Consumer, Think Employment

Small traders get jittery over FDI in retail despite evidence that they are preferred by consumers and that farmers stand to benefit

By SHAMNI PANDE

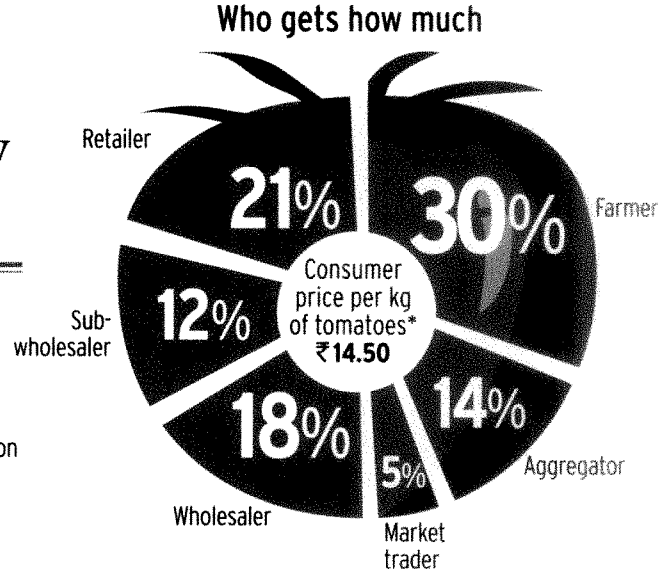
There has been little interest in a recent study conducted jointly by Arvind Sahay, Professor at the Indian Institute of Management, Ahmedabad, and Gordhan K. Saini, Assistant Professor at the Tata Institute of Social Sciences, Mumbai. Until now.

Titled "Effect of Credit and Low Price Guarantee on Consumer Purchase Intention – A Comparative Study of Kirana Store and Modern Retail Store in an Emerging Market", the study shows that malls and big retailers cannot match the convenience and credit offered by the local grocery shops known as *kirana* stores.

That the study was based on a survey of 200 respondents in Mumbai, a city with one of the highest concentration of malls and supermarkets in India, was surpising. As also that it focused on fast moving consumer goods, or FMCG purchases, and the respondents

Chain of Inefficiency

Indian farmers earn just a fraction of what the consumer pays for produce



*Price in Navi Mumbai Source: Boston Consulting Group

were from the SEC A and SEC B classification of well off consumers. Sahay says the study proves that *kirana* stores have the edge on organised retail given the credit they offer and relationships with customers. "Where low price guarantees are operationalised as a promise to refund the price difference if the consumer finds the same product at a lower price, the preference for a *kirana* store is not noticeably different from that for organised retail," he says. The study highlights the importance of 12 million *kirana* stores in a densely populated country, where proximity to consumers and delivery logistics give small stores an advantage.

But traders seem in no mood to listen. Across the country, shops shut down recently to protest the government's move to permit foreign direct investment, or FDI, in retail. Opposition parties including the Bharatiya Janata Party and states including West Bengal, Tamil Nadu and Uttar Pradesh have also opposed the decision, announced by the Cabinet in late November. The move would allow global retail chains to hold up to 51 per cent equity in multi-brand retail, which means chains such as Walmart, Carrefour and Tesco can set up multi-brand stores in India with Indian partners. The Cabinet has also raised the FDI limit for single-brand retail to 100 per cent.

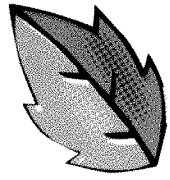
Across-the-Board Growth

The size of the retail market is estimated at $450 billion, of which organised retail accounts for only six per cent, or $27 billion. Various studies project the market size at $1,250 billion by 2020, and the share of organised retail at 21 per cent. In the current retail market, nearly 35 per cent of goods worth some $157 billion, are sourced from small and medium enterprises. As the retail market grows, goods worth more than $298 billion will sourced from them.

Then, there is the potential of local procurement by global retail chains from India. Tesco already exports goods worth $430 million from India, Walmart $125 million and Carrefour $170 million, according to business lobby Confederation of Indian Industry. In China, retail revenues of Walmart, Carrefour and Tesco grew from $5 billion in 2005 to $16 billion in 2010. In the same period, their combined buying from China for export grew from $24 billion to $56 billion.

Farmers, too, could benefit. "Most of the country's 600 million farmers are small and marginal," says Chengal Reddy on behalf of the Indian Farmer Industrial Alliance, or IFIA, a venture of Consortium of Indian Farmers' Associations. "This move is bound to benefit them. But we are going to moot that big retail players source nearly 75 per cent directly from them." He says the *mandi* system does not favour farmers, because they lose 10 per cent of value to commissions. Another 10 per cent is lost to quality issues, and five per cent is the cost of transporting goods.

Indian and multinational organised retailers in the country are happy



Food Chain Reaction

Retail industry participants and analysts expect foreign direct investment to make life better for everyone from farmers to consumers

- **FDI in multi-brand retail will aid producers, workers and consumers**
- **Aggregate income for all producers to increase by $35 billion to $45 billion a year**
- **Four million new direct jobs**
- **Up to six million indirect jobs in areas such as logistics, contract labour for distribution, repackaging, housekeeping and store security**
- **Government to gain additional income of $25 billion to $30 billion through taxes, as monitoring and transparency will improve**
- **Competition and prices that are five to 10 per cent lower will counter inflation**
- **Consistent quality, and lower risk of adulteration and counterfeit products**

Source: Confederation of Indian Industry

about the government's decision. A senior executive of the RP-Sanjiv Goenka Group, which owns and operates the Spencer's retail chain, says: "We will look at any partnership that could help us become more competitive. But we are unwilling to give a majority stake to any partner."

While reserving specific comment on the Cabinet decision, Raj Jain, Managing Director and CEO, Bharti Walmart says his company is "willing to invest in back-end infrastructure that will help reduce wastage, improve farmers' livelihoods, reduce prices, and ease supply-side inflation". French retailer Carrefour said the decision could help fight inflation.

Many small businesses see opportunity. "People like me could not have thought of launching FMCG brands had it not been for modern retail," says Sanjeev Khemka, Director of Khemka Containers, a ₹380-crore diversified group with interests in packaging, and food and healthcare products. He supplies breakfast cereal to the Big Bazaar chain, and also retails his own range under the Murginns brand. Next, he plans to launch dairy products.

Keshav Misra, Head of Consumer Goods, Baring Private Equity, believes that FDI is good for smaller brands that cannot afford to invest in distribution. That said, branded FMCG could take a hit. "This space would benefit from the penetration that modern retail would provide, but in the long term, the margins and working capital of branded players do get affected," he says.

So who's afraid?

The Confederation of All India Traders, supported by several political parties on the right and left, organised a nationwide bandh. They oppose FDI and want reforms in retail. But Rajiv Kumar, Secretary General of the Federation of Indian Chambers of Commerce and Industry, asks: "In the long run, small stores may or may not be affected, but should we stop that from opening up an opportunity that benefits consumers and farmers, and can create millions of jobs?"

Experts say the economy will be a net beneficiary. "Organised players aid the trade by helping farmers source better seeds and improve farming techniques. FDI will have a transformational effect on many fronts, affording better choice and price to consumers," says Hemant Kalbag, Partner and Vice-President, and Head, Consumer Industries and Retail Practice, at A.T. Kearney.

What it then boils down to is a face-off between the interests of the 40 million people employed directly or indirectly in the retail trade in the country and the 120 million consumers in the 53 cities with a population of over a million, where retail outlets with 51 per cent FDI are being allowed to set up shop.

Clarity Needed

Across quarters, industry participants are seeking clarity, which is likely only after a formal government notification. "Already, queries are flowing in about what the $100 million investment should be in," says Kalbag, referring to the stipulation that foreign retailers must invest at least $100 million, of which at least half must be in infrastructure. "Is it in store front infrastructure? What would be the timeline?" Others are being asked whether a state can ban the entry of a retailer after the Centre allows it. Retailers currently need many state-level permissions.

Despite all the hullabaloo, the need for modern logistics infrastructure is clear. "FDI in retail will only help if there is development of supply chain infrastructure, especially cold chains," says Rajeev Dar, Chairman of the Indian Society of Agribusiness Professionals, an organisation that has worked for a decade with some 50,000 small farmers in 16 states.

M.S. Swaminathan, the father of India's green revolution says the outcome of FDI in retail will depend on how business is done. "If retailers opt for inclusive growth, it would be good," says the agricultural scientist and Rajya Sabha member. "If they ignore small farmers, it will lead to discord." Sage advice for foreign retailers waiting in the wings. ◆

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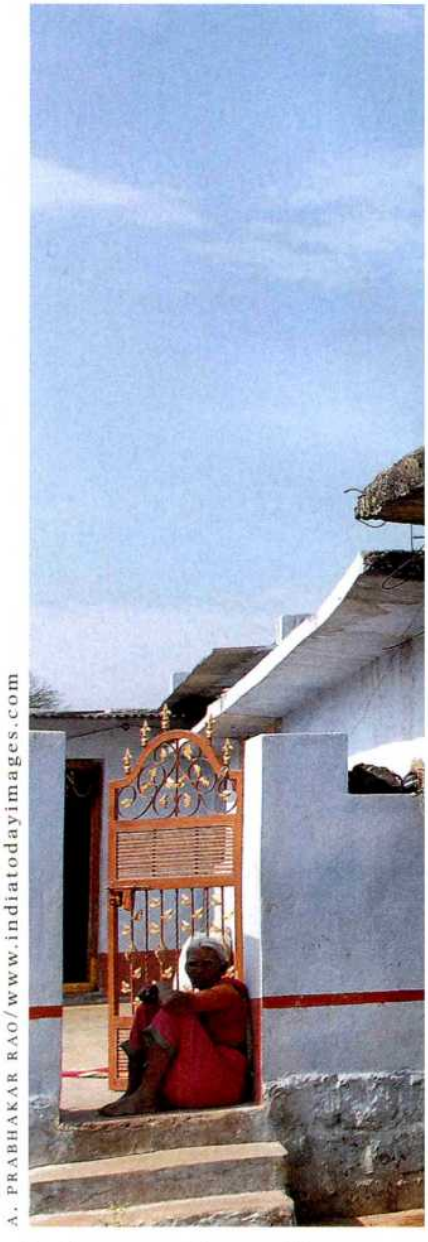
Vikram Akula quits. Does SKS Microfinance lose or gain? By E. KUMAR SHARMA



A. PRABHAKAR RAO/www.indiatodayimages.com

On November 23, the man who founded and nurtured India's most high-profile microfinance institution, or MFI, quit. Vikram Akula stepped down as SKS Microfinance's chairperson and board member. How did Akula, who earlier never seemed willing to give up control, leave?

Akula himself refuses to say a word. Many in the industry, however, claim they are not surprised, saying deep differences had developed between Akula and some members of the board and the management. The new non-executive chairman, P.H. Ravikumar denies it, insisting there were only "strategic differences", and these too arose after that watershed event in the history of microfinance in the country – the passing of a law by the Andhra Pradesh government in December 2010, severely restricting the activities of MFIs in the state. (See *"I won't paint a rosy picture"*.)

The law, initially brought as an ordinance in October, was prompted by reports of coercive loan recoveries by some MFIs, which allegedly even led some debtors to commit suicide. It decreed that all MFIs working in the state would have to register themselves with multiple state government bodies, declare their interest rates upfront, stop seeking weekly repayments, and much more. While borrowers in Andhra Pradesh, which accounts for around one-third of the country's ₹20,000-crore microfinance industry, assumed that paying back loans was no longer a priority, banks across the country took fright and curtailed lending to MFIs considerably. The result: large numbers of MFIs tumbled into red.

SKS Microfinance, for instance, posted losses of ₹384.54 crore in the July-September quarter against a profit of ₹80.54 crore in the same quarter the previous year. It had launched a highly successful initial public offering, or IPO, in July 2010 and listed a month later, but the share price, around ₹785 last December, has now touched a 52-week low of ₹90.20.

"This is after all

UPS AND DOWNS

1996/97
Vikram Akula raises ₹18.7 lakh from 357 people to start SKS

2004/05:
Akula relocates to the US, appointing Sitaram Rao as CEO of the company

2005:
Changes SKS from a non-profit to a for-profit company

2006:
Gets ₹11 crore equity injection from Vinod Khosla and others. More funds follow

Aug 2010:
SKS becomes the first microfinance company to list on a stock exchange.

Oct 4, 2010:
SKS board terminates the services of then CEO Suresh Gurumani

Nov 7, 2011:
SKS posts a record loss of ₹384.54 crore for the quarter ended September 30

Nov 23, 2011:
Akula steps down as the chairperson and board member. P.H. Ravikumar takes over

my life's work" **Vikram Akula** on October 7, 2010

"The Andhra Pradesh Act very clearly brought out the risk of being a single product company," says Ravikumar. "SKS will no more be only an MFI but will look to offer a range of rural financial services" to get back on track. Indeed, several other MFIs have been trying to diversify in the last year. See *Desperately Seeking Revival*, BT, Oct 30, *http://bit.ly/mfinchanges*.

Some industry insiders have welcomed Akula's departure. "Akula's resignation is welcome as he stood for the 'for-profit' model of microfinance, which in many ways has led to the destruction of the reputation of MFIs in India," says David S. Gibbons, the Canada-born founder and Chairman of leading microfinance entity, Cashpor India. "Great damage has been done to the sector and the poor by the crisis in Andhra Pradesh, for which both profit-maximising MFIs like SKS and the state government have to share the blame." Others felt, given SKS Microfinance's current situation and erosion in share value, Akula was rightly held accountable.

No doubt, under Akula, SKS

Q&A P. H. RAVIKUMAR

"I won't paint a rosy picture"

RACHIT GOSWAMI

PURANAM HAYAGREEVA RAVIKUMAR, *60, the new non-Executive Chairman-Interim of SKS Microfinance, has 37 years of experience in financial services behind him. He spoke to* **E.KUMAR SHARMA** *a day after he took charge. Edited excerpts:*

How do you plan to revive SKS Microfinance?
We are moving to financial inclusion, of which microfinance will be an important sub-segment. Look at it like, say, HDFC Bank, which has retail banking, corporate banking, treasury and other services. Or take ICICI. It has ICICI Life, general insurance, securities and the bank. It is a structure where there are different vehicles but the brand is the same.

How soon will you have the new structure?
We will arrive at a strategic business plan in four to six months and will see its roll-out in the next financial year.

What is the situation now in Andhra Pradesh?
We have some recoveries of about 10 to 11 per cent. But clearly, we need to find a solution to that (the problem of poor recoveries) in the next 18 months.

That means a hit of close to ₹1,000 crore if you make the provisions?
You could say about ₹800 crore. But we will not give it up.

What about Vikram Akula?
Till March, he will continue to help us because all said and done he founded and grew the company.

One year from now, how do you see SKS?
I won't paint a very rosy picture but the balance sheet of SKS will start looking healthy.

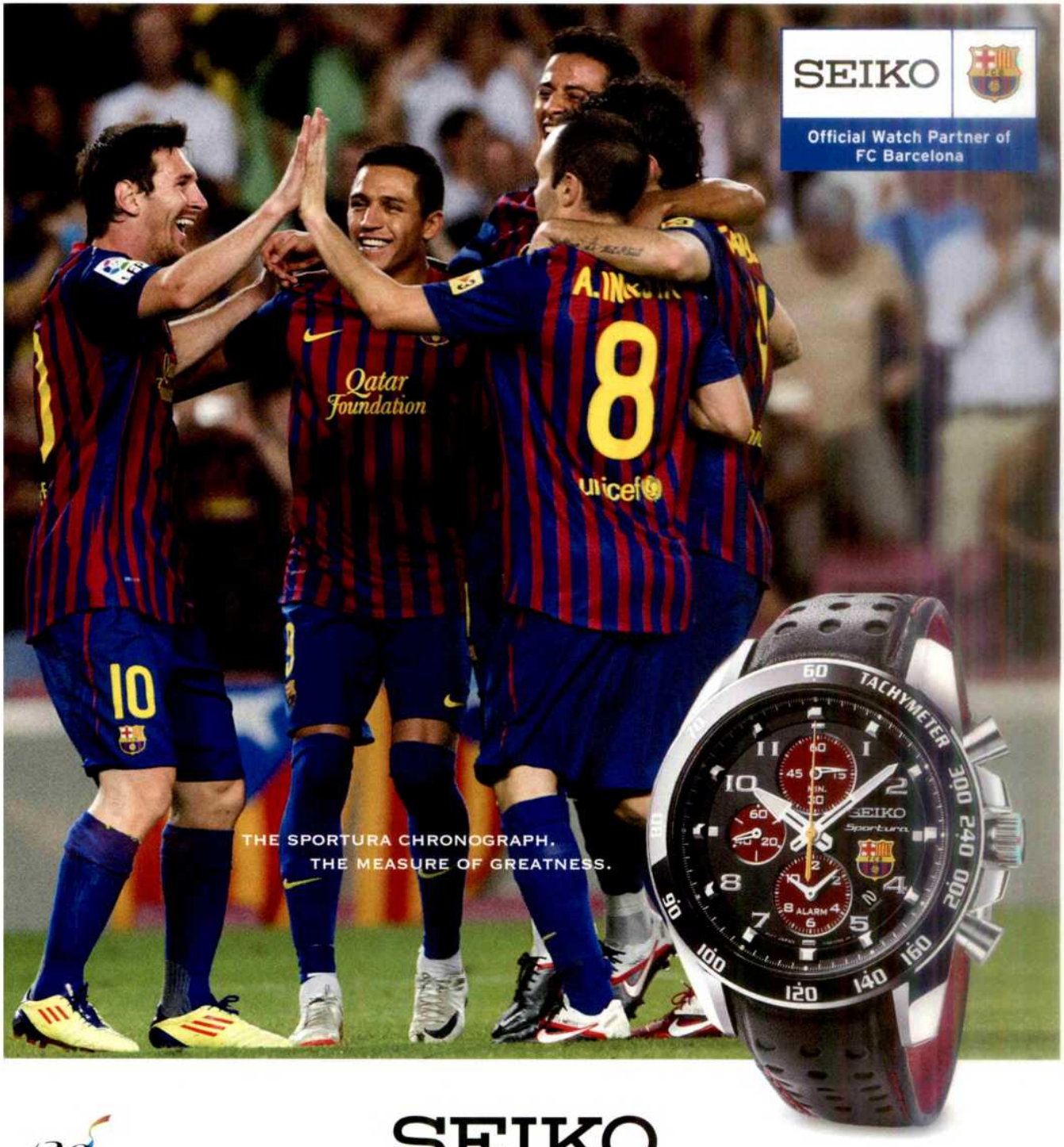
Where do you think things went wrong at SKS?
We probably underestimated the negative reaction and probably did not handle it well. In India, the value system is generally such that if you are working in customer segments like that of SKS Microfinance, you expect people to be not paid well. They are expected to draw only moderate salaries. But if I want the best people I cannot pay them moderate salaries and that is the reality. It is the same with the view on our making profits.

Microfinance grew rapidly, at one stage approving 100,000 loans a week. But some maintain this set a dangerous example. "The SKS IPO and its aggressive growth preceding this attracted others to follow suit and laid the foundation of the present crisis," says Sanjay Sinha, Managing Director, Micro-Credit Ratings International, an agency that rates MFIs. Still others believe the draconian law alone cannot be blamed. There were problems with the way SKS Microfinance was run. "One cannot discount internal governance issues," says M.S. Sriram, adjunct professor at Indian Institute of Management, Ahmedabad.

"There was a promise made when the IPO was launched that an advisory board headed by Infosys Chairman Emeritus N.R. Narayana Murthy would be set up. What happened to it? Now both the public faces of the IPO (former CEO and managing director Suresh Gurumani and Akula) are out."

While companies in other sectors are lauded for doing so, an MFI wooing private investors and seeking aggressive growth – as SKS Microfinance under Akula did – soon starts to face an image problem. "There is something odious about wealthy private investors and MFI staff making money from the poor, many of whom do not have a stick of furniture in their rooms and live under leaking roofs," says Gibbons. Akula, he feels, "was right in believing that the poor are bankable, but wrong to think private investors are needed to reach them".

With Akula's departure, SKS Microfinance is ready to launch itself headlong into its new strategy, offering small housing loans and other fee-based services alongside microfinance. Sinha sees this as a reflection of the compulsions of being a listed entity. "Being a listed entity SKS is forced to look at maximising shareholder value. This is not just a case of mission drift but one of a mission change. It is seeking to move from being a microfinance specialist to a regular non-banking finance company," says Sinha. ◆



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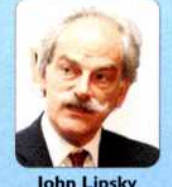

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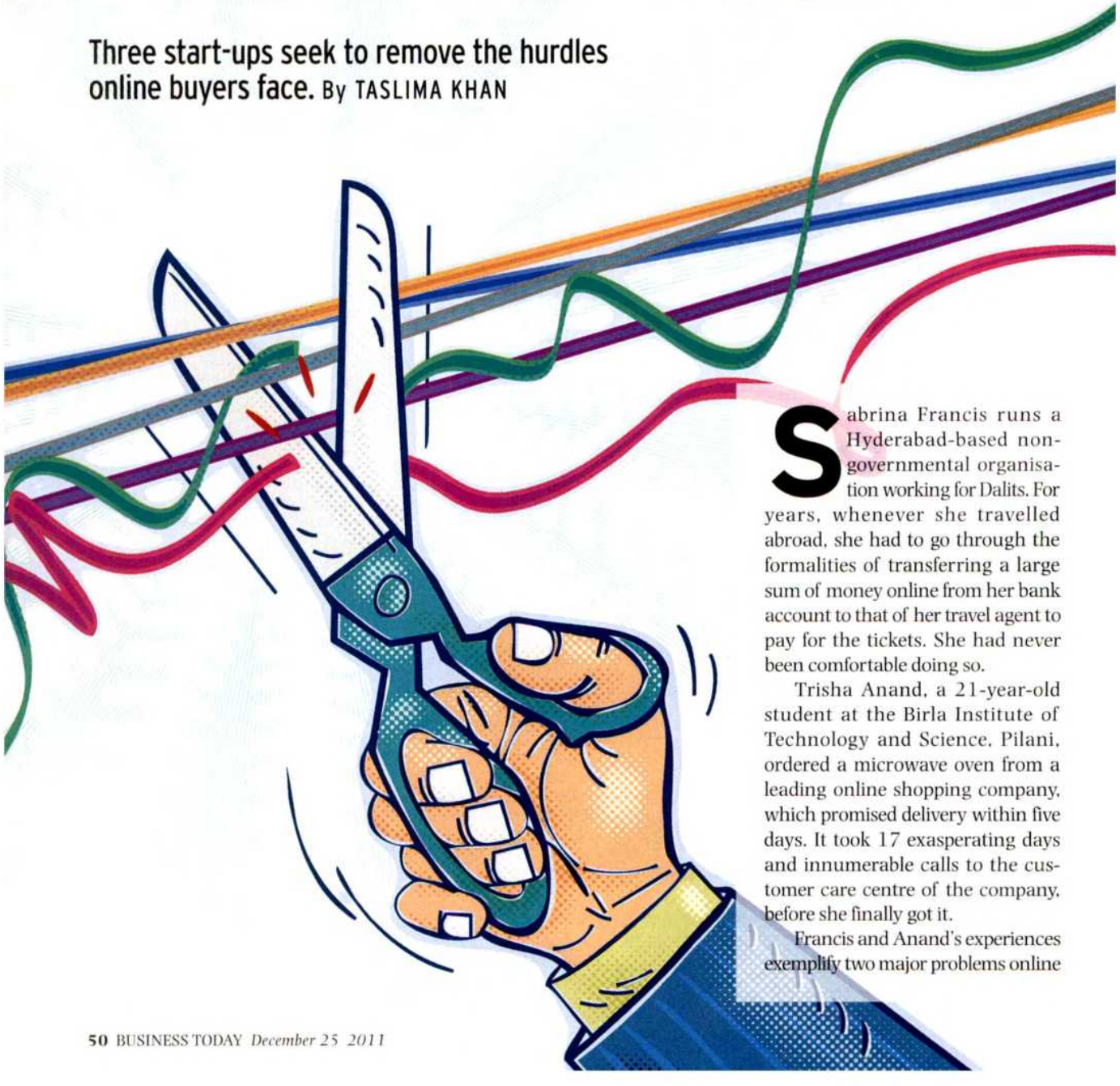
Giving e-shopping Momentum

Three start-ups seek to remove the hurdles online buyers face. By TASLIMA KHAN



Sabrina Francis runs a Hyderabad-based non-governmental organisation working for Dalits. For years, whenever she travelled abroad, she had to go through the formalities of transferring a large sum of money online from her bank account to that of her travel agent to pay for the tickets. She had never been comfortable doing so.

Trisha Anand, a 21-year-old student at the Birla Institute of Technology and Science, Pilani, ordered a microwave oven from a leading online shopping company, which promised delivery within five days. It took 17 exasperating days and innumerable calls to the customer care centre of the company, before she finally got it.

Francis and Anand's experiences exemplify two major problems online

Early Clients

Trolly
- Homeshop18
- 99labels
- Indiatimes
- BabyOye
- Dealskart

Chhotu.in
- Myntra
- Urbantouch
- Zovi
- Hushbabies

GHARPAY
- Cleartrip
- redBus
- DealsandYou
- Meraevents

shoppers face: payment gateways are often inefficient, as are the courier companies entrusted with deliveries. A third problem, from the online retailer's viewpoint, is that of low conversion: many visit their sites, but very few place orders. However, with e-commerce revenues growing at 40 per cent annually, and the market expected to top ₹46,500 crore by the end of 2011 – as estimated by the Internet and Mobile Association of India – a number of entrepreneurs have sprung up seeking to take care of such pain points.

For instance, Hyderabad's Gharpay offers a solution for customers reluctant to buy online because of reservations about payments. You merely confirm your order online; Gharpay collects the payment from your home. Working exclusively for portals, the service, which started in April this year, already has 15 clients, including the likes of Cleartrip.com, Redbus.com, Dealsandyou.com and Meraevents.com. Gharpay's network of agents makes collections from 550 postal pincodes across six cities: Hyderabad, Mumbai, Delhi, Chennai, Bangalore and Pune.

"We work like a last-mile logistics company. The only difference is that we handle cash, not goods," says Abhishek Nayak, founder. Among those who have welcomed Gharpay is Francis, who has since switched to buying her tickets from Cleartrip.com. As soon as a customer orders a ticket on Cleartrip.com, for instance, his or her name and invoice number are transmitted to the Gharpay portal. In 24 hours, a cash collector reaches the customer's doorstep with a copy of the ticket and collects the payment. Gharpay charges the online company a commission on each transaction, just as a payment gateway does.

Collecting money is not an easy task, be it from online shoppers or elsewhere. Chances of fraud are ever present. But Shailesh Lakhani, Partner at venture capital firm Sequoia Capital, who has invested in Gharpay – the amount is confidential – is hopeful about its prospects. He believes the speed of delivery will be critical. "People will be willing to opt for this mode of payment if Gharpay can deliver tickets and make cash

1.5%
to 2% is the conversion rate for most sites

Partner network: Trolly creators Kiran Kumar (left) and Prem Pillai

DEEPAK G. PAWAR

"More than 50 per cent of the people who win discount coupons visit the site concerned to redeem them"

KIRAN KUMAR, Co-founder, Adepto Solutions

collections within 60 to 90 minutes of a request being placed," he says.

The problems online retailers had with deliveries have often been so acute that some like Flipkart.com have moved logistics management in-house relying on teams of delivery boys. For a regular logistics company, such retailers are low priority, comprising only a small part of its business. But now Delhi-based Santa Claus Couriers has set up a service called Chhotu.in, catering solely to shopping portals. Started in May this year, restricted so far to the National Capital Region, Chhotu has a 55-member team handling 150 deliveries a day for customers of Myntra.com, Urbantouch.com, Zovi.com and Hushbabies.com.

Chhotu prioritises customer convenience. "We even entertain special requests such as making delivery at a particular time, or delaying the delivery because the customer is not in town, which others will not," says founder Navneet Singh. In six months, it has already made a difference. "Our average return rate of deliveries in Delhi and Gurgaon, which used to be nine per cent, has come down drastically," says Lochan Mathur, Manager, Operations, Zovi.com, an online men's apparel seller. Various incentives offered by Chhotu also enable online retailers to save around 30 per cent on delivery costs.

Lately, online retailers have been advertising heavily. Millions now visits their sites every month, but how many actually buy? The conversion rate at one of the most frequently advertised sites, Yebhi.com, is 1.5 to two per cent. Trying hard to grow this figure is Trolly, an application created by the Bangalore's Adepto Solutions, started in early 2010 by two former Google employees – Kiran Kumar and Prem Pillai. It has formulated a complex system of reward points to attract online buyers.

If a customer buys a book from a bookseller linked to Trolly, for example, he gets a special discount – apart from the usual discount most online shopping sites provide – but only if he posts the news of his purchase on his Facebook page. The Trolly application through which this information is shared also quizzes the customer's Facebook friends and rewards them with a discount if they answer correctly. "More than 50 per cent of the people who win discount coupons visit the site concerned to redeem them," says Kumar.

Adepto charges clients 'per engagement' – every time a Facebook user interacts with a product using Trolly, it counts as an engagement. Leading online retailers like HomeShop18 and baby products seller BabyOye have begun using Trolly. Adepto even has two US-based clients – Shoeprivee and Music Power – doing trial runs with Trolly. "The opportunity for such companies is big if they have a global product with rapid scalability," says Karthik Reddy, Managing Partner at Blume Ventures, who has invested $3 million in Adepto.

There are others too seeking to smooth these bumps on the e-commerce road. Their challenges are similar. "For one, margins will be under pressure as e-commerce companies will not be willing to pay much," says Sequoia Capital's Lakhani. There is also the problem of some larger companies seeking to do everything themselves minimising reliance on external agencies. ◆

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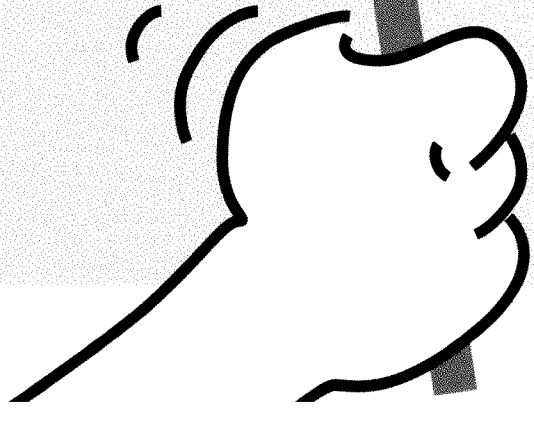
Aircraft Shopping for DUMMIES

Sale and leasing of airplanes are in the spotlight. A guide to the complexities involved. By KUSHAN MITRA

Kingfisher Airlines, deep in debt, is set to return two of its Airbus jets to Irish leasing company AerCap. A rival company executive said more of Kingfisher's jets would be returned in coming days. In fact, Kingfisher owns just two aircraft out of its fleet of 65, shows data available with aviation regulator Directorate General of Civil Aviation. The data further reveals that, with the sole exception of state-owned Air India, which owns all its planes, almost all the aircraft used by Indian airlines belong to leasing companies.

Welcome to the curious world of aircraft buying.



MODELLED ON THE DESIGN OF THE 'FOR DUMMIES' SERIES, JOHN WILEY & SONS

Aircraft do not come cheap. The average list price of a brand new Airbus A320 in 2011 was $85 million. Boeing has the 737-800 listed for $84.4 million. GoAir, IndiGo, Kingfisher and the domestic flights of Air India all use the A320 extensively. Jet Airways and SpiceJet use the 737-800. However, almost no aircraft ever sells at its listed price. Airbus and Boeing negotiate hard for large orders and offer massive discounts to get them. Discounts range from 10 to 40 per cent depending on the type of aircraft ordered, delivery dates requested, the engines selected and the interior options specified.

Airlines pay, on average, only one per cent of the cost of the aircraft at the time of signing the deal to buy them. At pre-determined times before the delivery date, they have to fork out small percentages of the cost to the manufacturer.

Much of this financing is provided by banks, from which airlines usually take long-term loans at pre-negotiated rates.

Next come leasing companies. The world's two largest aircraft leasing companies are GECAS, part of the General Electric group, and International Lease Finance Corporation, or ILFC, part of insurance company AIG. Often, leasing companies buy aircraft directly from Airbus and Boeing – at times for particular customers to whom they lease them once the aircraft are delivered. Indian airline companies, however, follow a different path. They buy most of their aircraft directly from the manufacturer, but before these are delivered, they also often conclude deals with leasing companies to sell them the aircraft.

"The deal with the leasing company is concluded before delivery," says the former boss of an Indian airline. "It hands us a cheque before the delivery. When we get the plane, we pay the manufacturer with that money. The manufacturer gives us the ownership papers and we in turn hand those over to the leasing companies."

Depending on the price an airline buys an aircraft it can sell it to the leasing company at a higher price, making a profit. The airline then promptly leases the aircraft back from the leasing company, thus concluding a 'sale-leaseback' deal on the aircraft for a pre-determined period of time.

Again, airlines often do not buy aircraft engines from the aircraft manufacturer. They negotiate separate deals with engine manufacturers. They can conclude 'per-hour' deals with engine companies, paying them for every hour an engine is used, rather than buy the engine outright. Engines are easily swapped around between aircraft, so the plane you fly next could well be using engines other than the ones it had when it was delivered.

But why would leasing companies let airlines book profits at their expense? In fact, when an airline strikes a sale-leaseback deal, the profit the airline made is factored into the lease. If the profit was relatively small, the monthly lease rental is lower. The average lease rental on a brand new A320 or 737-800 ranges between $500,000-750,000 per month.

But the airline still benefits because it does not have to factor in a depreciating asset on its books. The lease payments become an operating expense. But with such an arrangement, managing costs becomes vital. ◆

STILL TURBULENT WEATHER

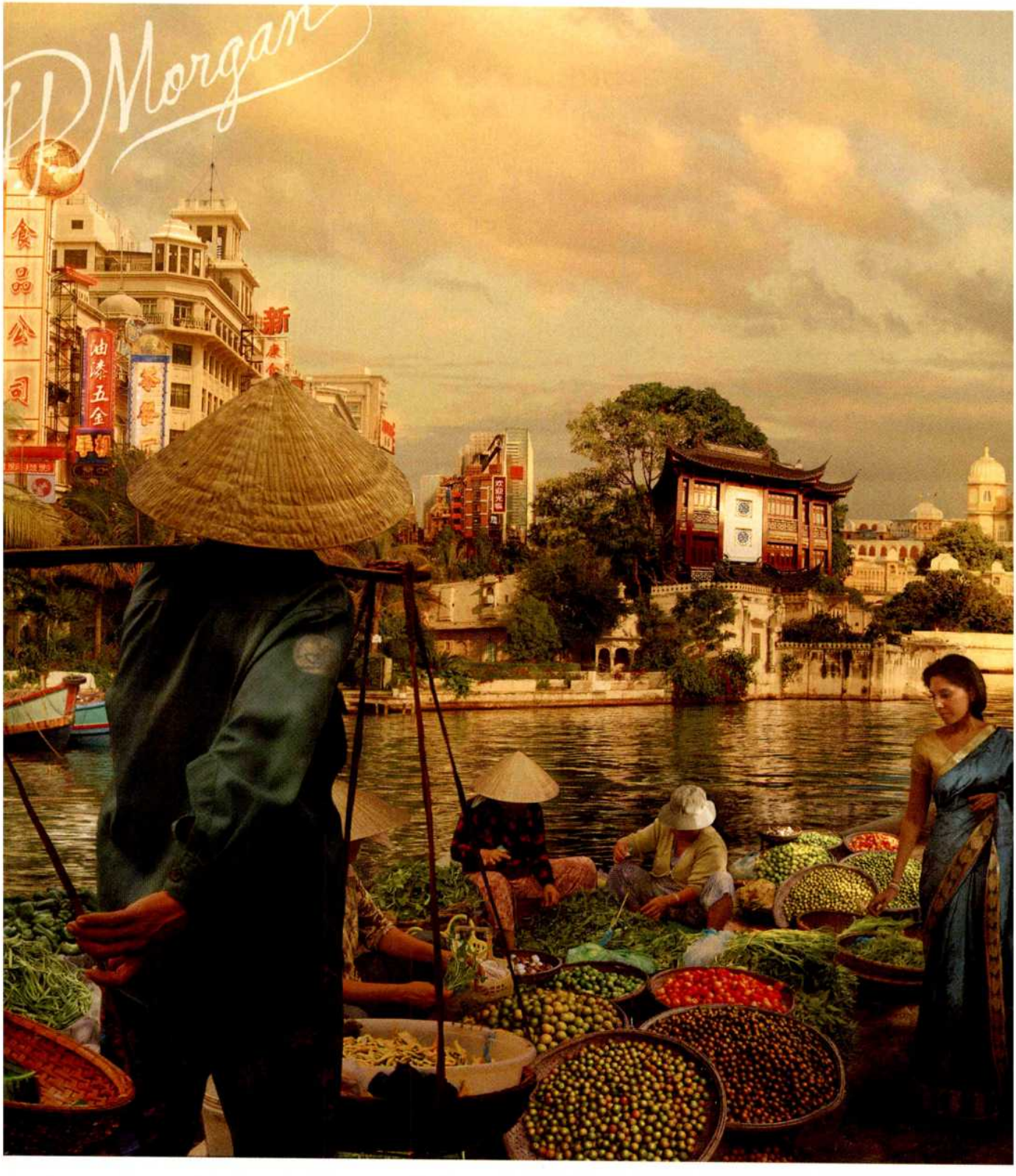
The problems of the airline industry, exemplified by Kingfisher's plight, continue. Key recent developments:

- Heads of all six airlines meet the prime minister on November 26 to seek increased foreign direct investment in the sector and permission to import aviation fuel directly.
- Aviation fuel grows more expensive with oil companies hiking prices by four per cent in end-November. Fuel accounts for 40 per cent of airlines' total costs.
- Air India considers a sale and lease back arrangement for 27 Boeing Dreamliner aircraft. Such a decision will be a major departure for the airline, which till now owns all the planes it uses.
- IndiGo pips Kingfisher to become the second-largest airline in terms of market share.
- Market leader Jet Airways considers setting up an entirely separate low-cost arm, ending JetLite and JetKonnect
- More and more carriers cut down on flights to save costs. Kingfisher tops the list flying only 243 of its scheduled 418 flights daily.

GEETANJALI SHUKLA

SHEKHAR GHOSH

Big deal: Vijay Mallya, centre, with then Civil Aviation Minister Praful Patel, left, and Airbus COO John Leahy in 2007



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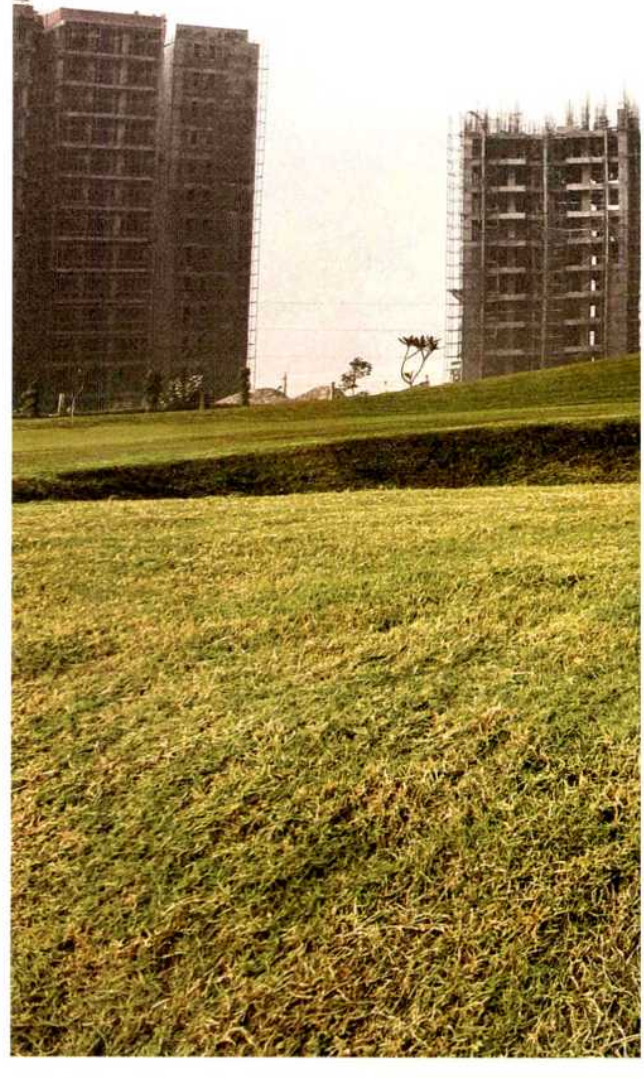
GAUR, THE BUILDER

With Formula One success behind him and the Yamuna Expressway stretching ahead, Manoj Gaur, the boy from a government school, stakes claim for a seat at India Inc.'s high table.

By SUVEEN K. SINHA

Somewhere in the middle of his rapid reminiscences, Manoj Gaur takes a pause, and says: "We never forget where we come from." Nor would he let you forget that. His speech is peppered with references to his father Jaiprakash – simply "Jaiprakash *ji*" – who started the infrastructure and cement group 53 years ago and, at 81, remains the Chairman. There are also frequent grateful nods to the frames of gods, who share the wall space in Gaur's office in Greater Noida, on the outskirts of Delhi, with photographs of large projects constructed by the group.

Two years ago, as Gaur was driving through Sarojini Nagar, the middle class shopper's paradise in central Delhi, this sense of where he comes from took over. He stopped at the Government Boys High School No. 1, where he studied until good marks in Class XII transported him to Birla Institute of Technology and Science in Pilani, and went to see the principal. Ever the simple man – he wouldn't hesitate to fetch you a stool if you were wondering where to put your bag – Gaur politely asked if there was anything he could do for the school. The principal looked at Gaur indulgently and sent him away with a polite thank you.



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Jaiprakash Gaur
Founder and Chairman

thicker than blood

N.C. Sharma
(sister's husband)

G.P. Gaur
(younger brother)
Director, Jaiprakash Power Ventures

Sunil (son)
Executive Vice Chairman, JAL

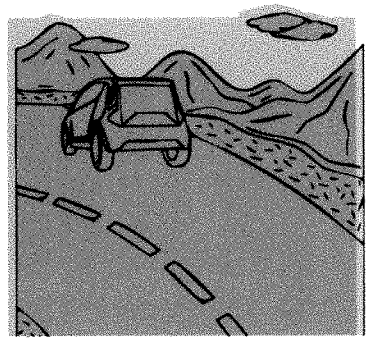
Pankaj (son)
Joint MD, Construction division

Sachin (son)
Director and CFO, Jaypee Infratech

Manoj (son)
Executive Chairman, JAL and group companies

Sunny
(son)
MD, Jaypee Cement

₹135,000 crore is what Jaypee hopes to earn from real estate related to Yamuna Expressway



"The principal had no idea who I was," says Gaur, 47, with a tinge of regret. As the Executive Chairman of Jaiprakash Associates Ltd, or JAL, Gaur presides over Jaypee Group, a bunch of companies which ended the last financial year with nearly ₹17,000 crore in turnover and is on course to cross ₹20,000 crore this year. That is more than Bajaj Auto's revenues of ₹18,753 crore in 2010/11. "He did not think I was in a position to help," Gaur says of the principal.

Jaypee is the country's third largest cement producer, the largest private sector company in hydropower with 1,700 MW, and has four thermal power plants totalling 5,120 MW slated to go on stream in the next three years. JAL, the group flagship, has an engineering and construction wing which accounted for 55 per cent of its last year's turnover of ₹13,320 crore, but remains occupied mostly with in-house work. It also has the largest land bank in the National Capital Region. And yet, the school principal is part of a vast majority that would struggle to pick Gaur in an album of India's businessmen.

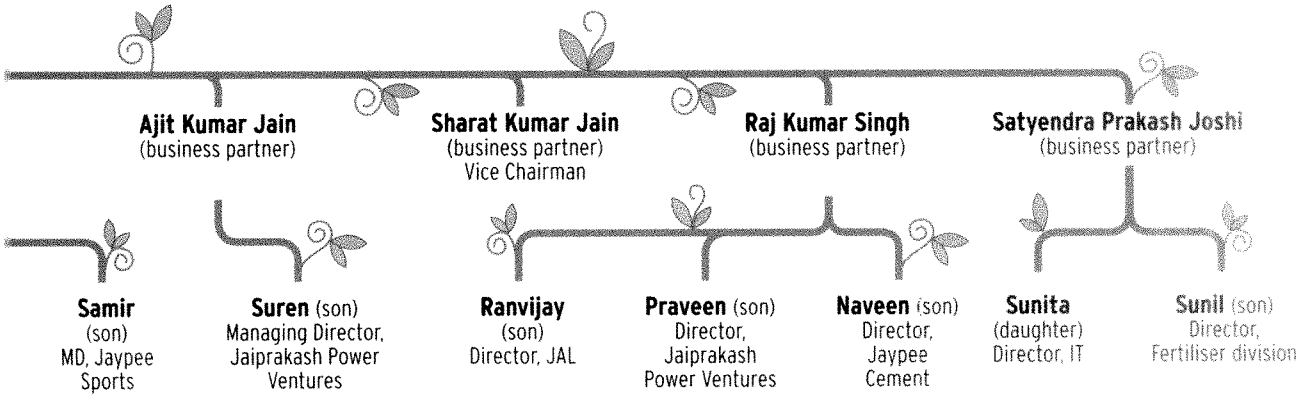
That has begun to change. Many would now identify Jaypee as the one which made India's only Formula One track and hosted the first race so efficiently it washed away some of the stigma earned by Suresh Kalmadi and his merry men. You might argue that not many government school principals would have been in that melee of 95,000 people that thronged the Buddh International Circuit on October 30. True, but some of them may be tempted to take the Yamuna Expressway to Agra when it opens by the end of this year.

The expressway, a 165-km elevated road that promises to halve the travel time from Delhi to Agra to two hours, has gobbled up ₹11,228 crore. Jaypee will get to collect toll on it for 36 years and then hand it over to the state government for no charge. The real deal, however, is the five townships that it gets to develop alongside. The 450 million square feet under construction, untouched by the farmers' agitation against land acquisition in Greater Noida which hobbled hundreds of projects, is projected to be worth ₹1.35 lakh crore over 20 years, while Jaypee will have rights on this land for 70 more years. The value would have been a fraction of this unless the expressway was constructed, which Jaypee has done a year ahead of schedule – unheard of in a country where infrastructure projects typically overshoot budgets and deadlines.

While the numbers will warm the hearts of a bean counter, the expressway promises to do what Formula One could accomplish only partially: make Jaypee a household name. At the same time, the conversations in those households may refer to the persistent buzz about Jaypee benefiting from a favourable political environment. Soon, however, they may turn to its strengths in execution.

His Father's Son

"I do not understand the fuss over Formula One. As a pure engineering effort, it was nothing in comparison to our other projects. Take Karcham Wangtoo, our hydropower project in Himachal. We drilled a 48-km tunnel inside a mountain there," says a woman executive of the group who



VIVAN MEHRA/www.indiatodayimages.com

The next generation: (From left) Sunny Gaur, Sunil Kumar Sharma and Suren Jain

does not want to be named lest the Formula One engineers should feel offended. Her colleagues reel off names of the group's marquee projects: Sardar Sarovar over the Narmada in Gujarat, the largest concrete dam in the country; Tehri over the Bhagirathi in Uttarakhand, the largest rockfill dam; Nathpa-Jhakri in Himachal Pradesh, the largest underground powerhouse; Indira-Sagar in Madhya Pradesh, the second-largest surface powerhouse. The list goes on. "They are engineers and know execution. Construction is in their DNA," says Vinayak Chatterjee, Chairman, Feedback Infrastructure Services, an infrastructure services company.

Gaur, who was chosen to succeed his father in 2006 by a committee comprising five members of the promoter group but not the father, has built on the foundations. Since the change at the top, JAL's revenue has grown at a compound annual growth rate, or CAGR, of 32 per cent (see *Up & Down*). Says A.M. Naik, Chairman of Larsen & Toubro, the country's largest engineering and construction company in the private sector: "Manoj Gaur has grown out of the shadow of his father. There were many reservations when he took over but he has grown in stature."

₹44,400
crore is Jaypee's consolidated debt, which gives it a delicate debt-equity ratio of 3.5

Gaur, who as a child began to speak only when he turned four, now speaks in torrents, and is profuse in giving credit to his father. "If the opening batsman hits a double century and is still batting at the other end, it is easy for the one-down batsman to play his shots."

Gaur Senior, born into a Brahmin family in a village in Uttar Pradesh, went on to study civil engineering at the Thomason College of Civil Engineering, now the Indian Institute of Technology, Roorkee. After graduating, he joined the state irrigation department and spent the next seven years working on the Mata Tilla Dam in Jhansi. Then the entrepreneurial bug bit him. Using the nous picked up at Mata Tilla, he started out as a contractor in 1958, and bagged his first contract to build four bridges across a canal in Rajasthan. Some of the early partners failed to keep pace with Gaur's ambition and he made a second beginning in 1967/68, with his brother, brother-in-law, and close associates who remain with him till date, some in the second generation.

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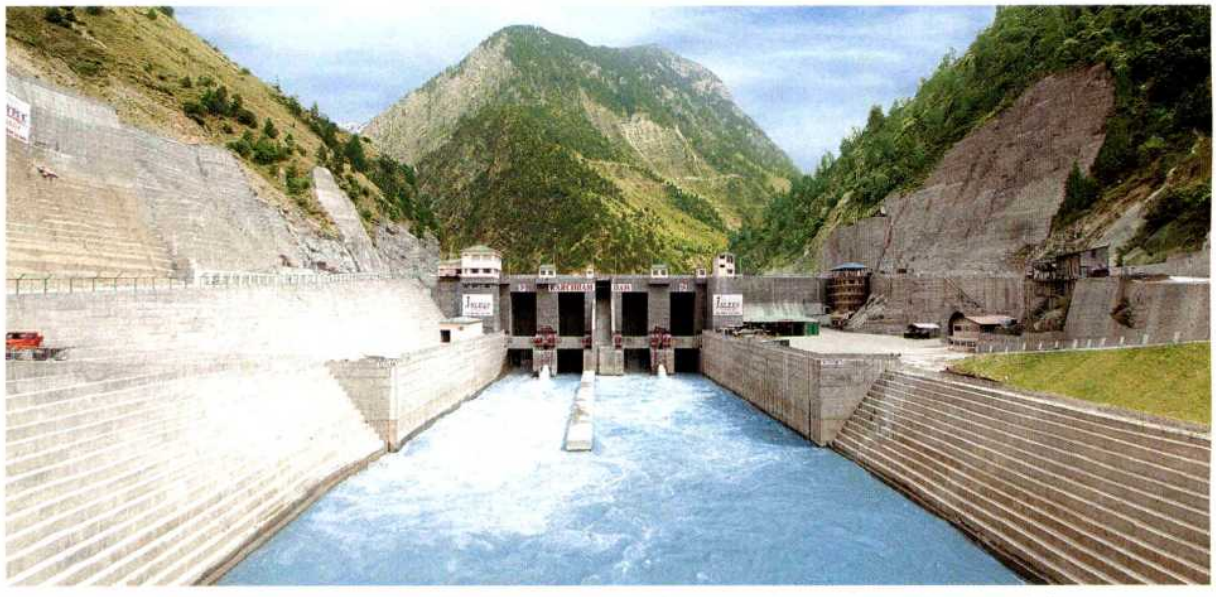


Karcham Dam in Himachal Pradesh: The project had a 48-km tunnel bored through a mountain

"The way Gaur *saab* has managed the family and families of partners will one day be a case study at Harvard Business School," says Suren Jain, Managing Director, Jaiprakash Power Ventures.

Jain speaks from experience. In 1986, when he was in Class X, his father Ajit Kumar, one of the partners since 1967, died. "It was an unlisted company then. Still, Gaur *saab* protected our shareholding. Fifteen days after my father's death, he came to my mother and made her tie a *rakhi* on him," says Jain, now 41.

Family Matters

The offices are a home away from home. There are 18 members of the extended family, including those of the partners, working in the group (see *Thicker Than Blood*). Together, they control 38 per cent equity in JAL, 76.5 per cent in Jaiprakash Power and 83 per cent in Jaypee Infratech. In 1982, when colour television came to India, Jaiprakash bought 18 of them. When there was enough money to buy houses and cars, they were given according to age. Jaiprakash and his family were not the first to get either.

Outside the group, too, Jaiprakash believed in relationships. He also believed in hydropower, in which the group enjoyed a natural advantage due to its expertise in engineering and construction, as these projects are invariably in difficult terrain, where water flows with force. Jaypee bagged its first independent hydropower project in 1992.

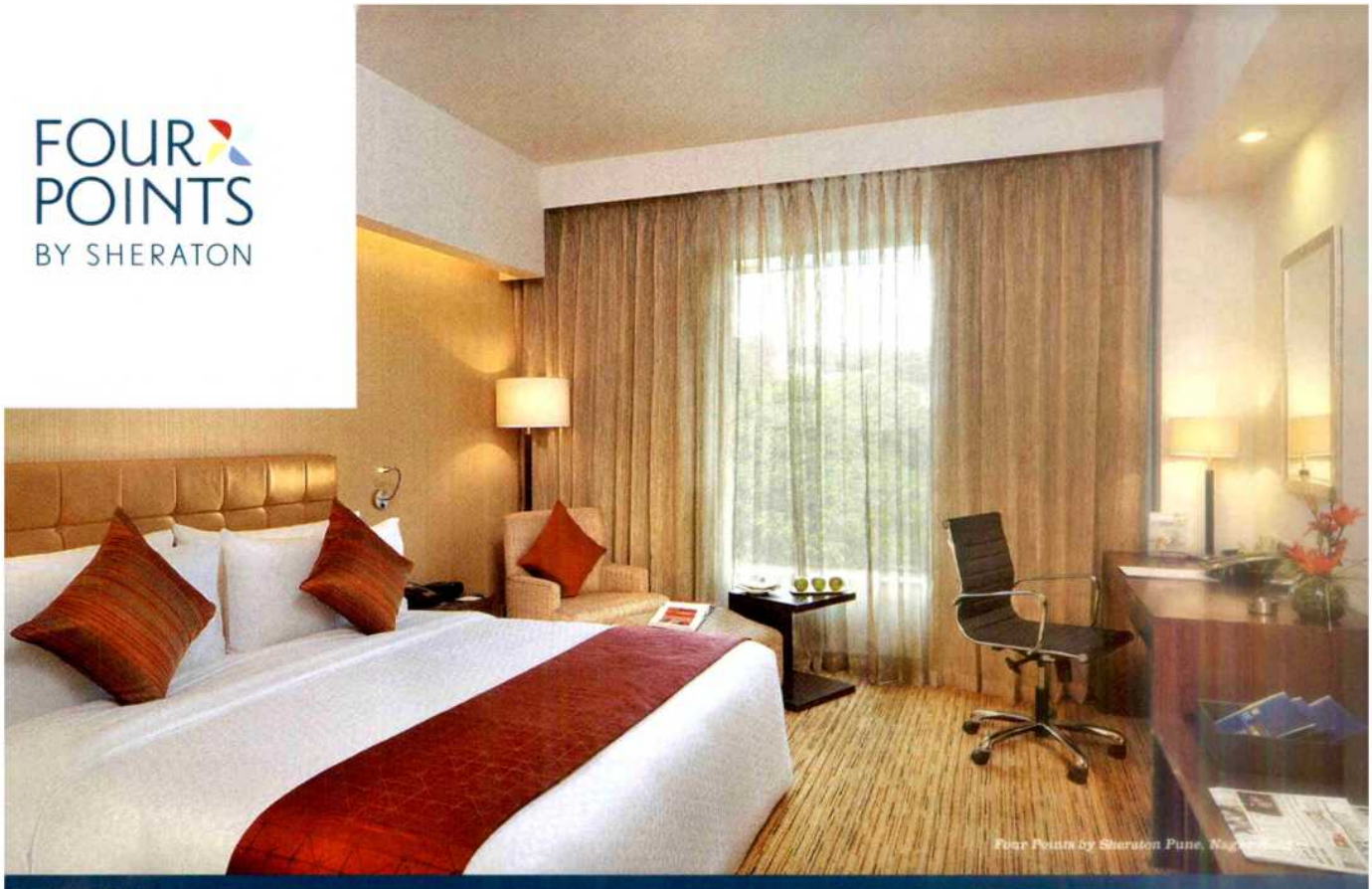
1,700
MW capacity makes Jaypee the largest private company in hydropower

but power-purchase agreements with state electricity boards, the bane of so many projects in the 1990s, proved elusive. To make matters worse, cement demand crashed. Jaiprakash met K.V. Kamath, who was heading ICICI Bank, and offered to sell him the cement and hotel businesses in lieu of money for hydropower. Kamath, who could not be reached for this story, decided to bet on Jaiprakash's passion: he let him keep both companies and funded hydropower.

Soon after, in year 2000, Kamath found himself stuck with a 450-acre real estate project in Greater Noida. It became a non-performing asset when Sterling Resorts, the developer, became sick. In came Jaypee and took charge of the project, now known as Jaypee Greens. Built around an 18-hole Greg Norman Signature golf course, it became successful and marked Jaypee's entry into real estate development.

The relationship management, say Jaypee's detractors, does not end with corporate ties, and that the group has taken rapid strides in the last few years mainly because of its proximity to Uttar Pradesh Chief Minister Mayawati. "I admire Manoj and the old man. But I cannot say

FOUR POINTS
BY SHERATON



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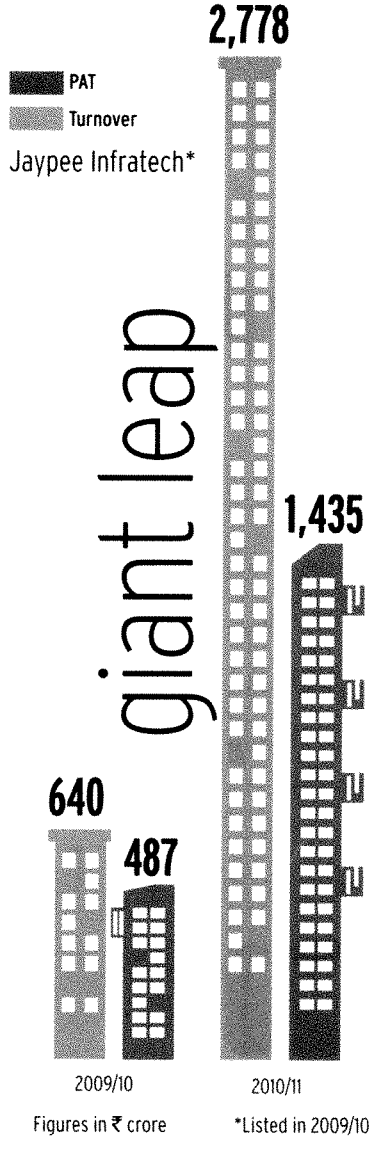
much about how they have managed the environment and what they have done to manage it," says the head of a rival group.

On October 18, the Supreme Court sought explanations from the Mayawati government for granting tax exemptions to the Formula One event and later told Jaypee to hold 25 per cent of the ticket money in a separate account till the court decided on the validity of the exemption. There have been reports of a senior IAS officer, who criticised the urbanisation along the Yamuna Expressway, being suspended by the Mayawati government for going overseas without permission. "Jaiprakash Associates is exposed to the risk of political upheaval or any exigencies in Uttar Pradesh," say Aashiesh Agarwaal and Adhidev Chattopadhyay of research house Edelweiss in a report of November 15 this year. On page 72 of this magazine, you will see our story, *Five Elections and a Funeral*, which talks about protests against the government related to Jaypee's power plant at Karchana in UP. With elections in the state due next year, will the dream run continue?

Beyond Uttar Pradesh

The dream run, says Manoj, has nothing to do with politics. "Our main activity in the state is real estate development, which is less than seven per cent of our total revenue. We have worked in 18 states and Bhutan. We went to Jammu & Kashmir in 1997, when the state was in the grip of terrorism. We are also in Arunachal. Yes, we have built the biggest expressway in UP, but that is the state where the project was conceptualised. We don't play golf, we don't own farmhouses, and we work six and a half days a week, yet people say we are successful because we are close to this or that."

The expressway, incidentally, was first mooted and tendered under the Bharatiya Janata Party government led by Rajnath Singh and work on it started in 2006, when Mulayam Singh's Samajwadi Party was in power. It was under the Samajwadi rule that Jaypee acquired UP Cement Corp through a court-organised auction. In terms of investment, the group's biggest bet is on Madhya Pradesh, where it will have sunk in ₹20,000 crore by 2013 in various projects, including two thermal power plants, much more than the ₹13,000 crore in UP.



So what is it that makes Jaypee tick? After some salutary nods to the gods Manoj gets back to his father. Gaur Senior always insisted on the top managers being posted at the project sites, wherever they might be. When he was starting the group's first cement plant in 1987, he stayed in a tent at the site in Naubasta, not at Rewa, the nearest semi-urban settlement which was 13 km away. Manoj joined the group in 1985 as a project coordinator at Naubasta, earning ₹2,750 a month. In many cases, the group first constructed roads to project sites because there was no other way to take the heavy machinery there.

Each project has a hospital, which treats everyone free of charge, and a school, where poor students get education, books, uniform and mid-day meals – all for ₹10 a month. Manoj's own son, Manu Bhaskar, spent two years with Jaypee Nagar School in Rewa. When the group won a project in the Doda district of Kashmir, the first to be despatched there was Manoj's youngest brother, Sunny. In the home stretch of building the Buddh International Circuit, Jaiprakash went there every day. "In my memory, Jaiprakash *ji* took leave only once, in 1973. We were building the Salal Dam on river Chenab and he took us to Srinagar for three days," says Manoj.

He lists a number of projects – the Chamera dam in Himachal, Omkareshwar in Madhya Pradesh, Karcham in Himachal – which have been completed ahead of schedule. UP Cement Corporation, which has three plants in Naxalite-infested areas, was sick and its plants were shut when Jaypee acquired it in 2005. It has already restarted the plants, producing 2.5 million tonnes a year with 3,000 workers.

G.P. Goenka's Duncan group had a fertiliser plant in Kanpur. It is now being revived in collaboration with Jaypee. "I must say that Manoj has

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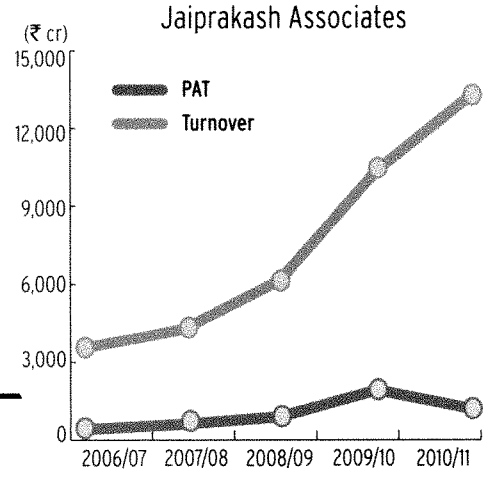

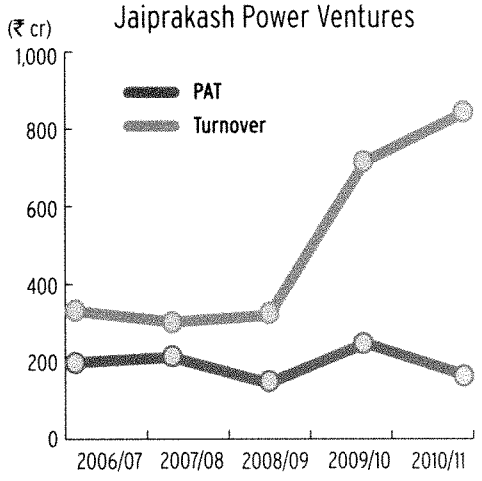

kept all his commitments, whether they were on paper or not. As far as the perception about his political connections is concerned, I have not seen that side of him," says Goenka, Chairman of the eponymous group. Little wonder then, that when the time came for Goenka to sell his Andhra Cements, he thought of Jaypee. The company, closed for 15 months, is slated to resume production early next year.

Then there is clear-headed pragmatism. For the Yamuna Expressway, the original estimated cost of acquiring the land was ₹650 crore. It swelled to ₹2,900 crore, doubling the debt portion to ₹6,000 crore. That means Jaypee Infratech will take 10 years to repay its debt, instead of the seven envisaged earlier. The upside is that the expressway was completed ahead of time and returns from real estate, which became marketable earlier, will more than make up for it. Still, it is causing some trouble for the group, as its consolidated debt has increased to ₹44,400 crore, giving it a delicate debt to equity ratio of 3.5. The incessant rise in interest rates has not helped matters.

True, companies that execute large projects typically have a high debt burden. GMR Infrastructure, which built the new airport in Delhi, has a debt-equity ratio of 3, while for Hindustan Construction Company, which built the Bandra-Worli sea link in Mumbai, it is a precarious 6.2.

"Our fortunes are linked to India's," says Manoj, adding that the downturn in the economy is bound to take its toll. Yet, ₹44,400 crore is not something you can take in your stride. JAL's stock ended December 2, the day this article went to press, at ₹67.30, against its 52-week high of ₹116.80. "Increased capacity utilisation and subsequently increased contribution will help to lower the debt-equity ratio over the next two to three years," says a report of November 1 by Motilal Oswal. The brokerage house expects JAL's consolidated net debt-equity ratio to improve to 3 in two years.

36

mtpa capacity makes Jaypee the country's third-largest producer of cement

"We will reduce the debt," says Manoj. To begin with, he will hive off 13 million tonnes a year of cement capacity, mainly in Gujarat and Andhra Pradesh, into a new company, in which he will do a partial divestment. "We are looking at both private equity and strategic sales, whichever makes more sense." At the going rate of $125 a tonne, the new company's total value works out to about ₹8,150 crore.

Manoj is more than aware of the challenges, and is counting on his old allies of execution expertise and his father. "This takes some management expertise," he says with a wink and a smile. "All this has been possible also because of the goodwill Jaiprakash *ji* enjoys, in UP and elsewhere." For now, the father has ordered everyone to move out of their houses in New Delhi's Vasant Vihar and start living in Greater Noida – close to their key projects. ◆

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Chandigarh	Mumbai	Delhi
Nov 26th 2011 Panchkula Golf Club Chandigarh	Dec 3rd – 4th 2011 Oxford Golf & Country Club, Pune	Dec 10th –11th 2011 Golden Greens Golf Club, Gurgaon
Kolkata	**Kodaikanal**	**Bangalore**
Dec 17th 2011 The Tollygunge Club, Kolkata	Dec 29th 2011 Kodaikanal Golf Club, Kodaikanal	Jan 20th -21st 2012 Eagleton Golf Village, Bangalore
National Final		**World Final**
Apr 10th-11th 2012 Thailand		May 2012 South Africa

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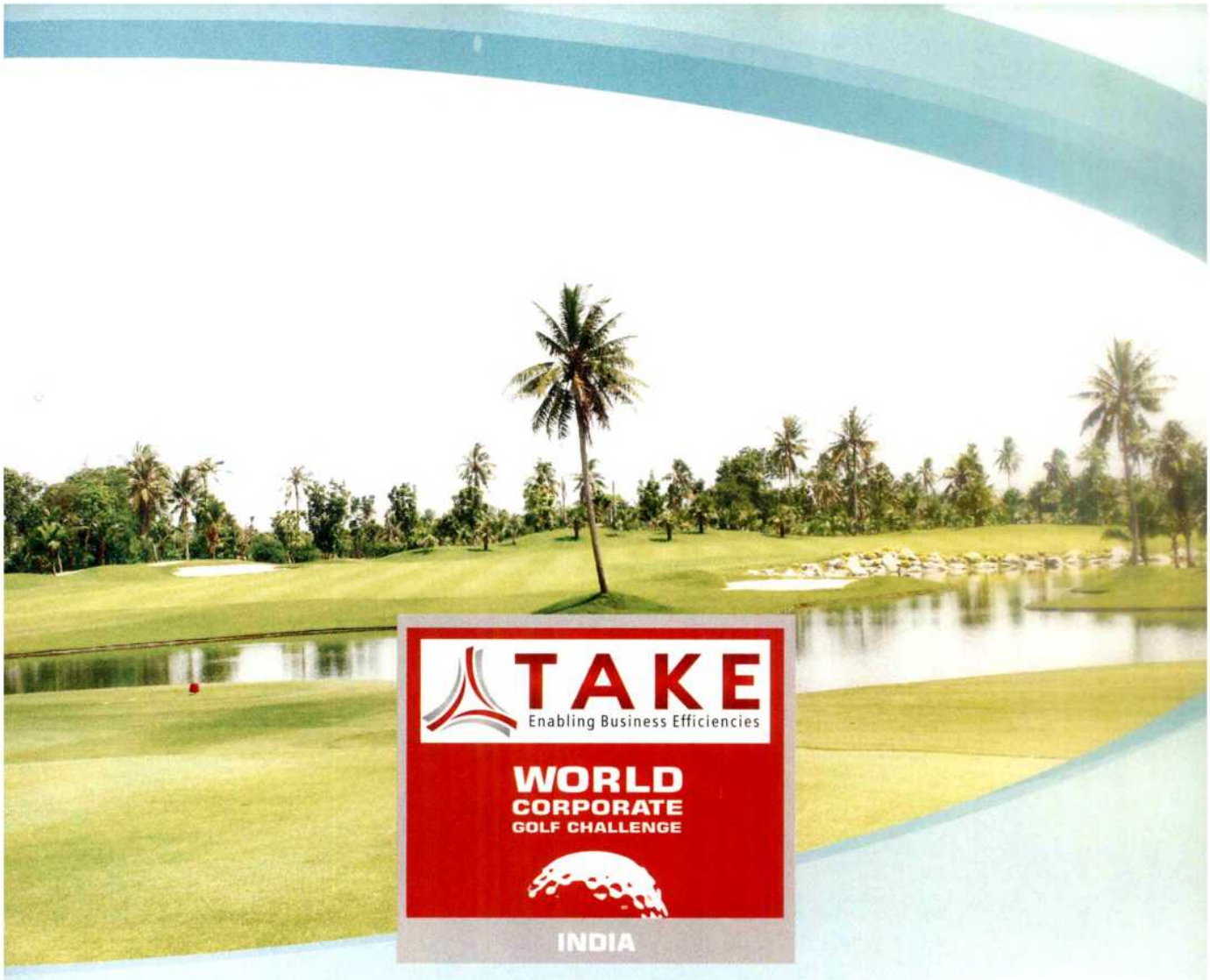

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FIVE ELECTIONS AND A FUNERAL

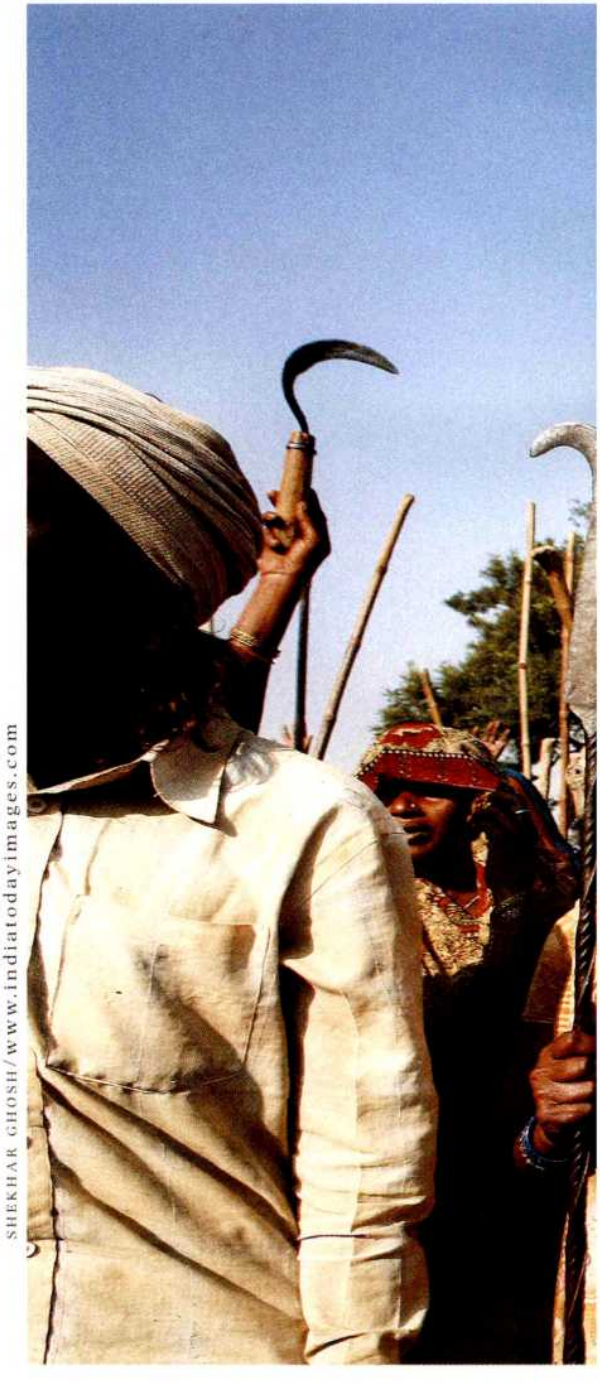
As politicians warm up for the five assembly polls to be held in 2012, India's hopes of high growth die a quiet death. Worse, little may change until the 2014 hustings. By SANJIV SHANKARAN, ANUSHA SUBRAMANIAN and SHWETA PUNJ

Nanki Devi's restlessness signalled something was amiss, but the explosion of rage, when it came, was startling.

An old man, part of an agitating group of some 25 villagers protesting the acquisition of their land by the Uttar Pradesh government at Karchana, 30 km south-east of Allahabad, was addressing the gathering as the sun bore down on a recent Friday. The land had been transferred by the state government to Jaiprakash Power Ventures, part of the Jaypee group, widely believed to be close to the state Chief Minister Mayawati, to build a 1,980-MW thermal power plant.

The slightly built restless lady in a red sari and teeth stained with betel juice got up and interrupted the speaker. She introduced herself, and then just blew up. "Mayawati, a dalit's daughter is now *daulat*'s daughter," she screamed in Hindi. Dalits, traditionally regarded as untouchables, are typically economically backward, and Devi's consternation was at the chief minister's riches and the corruption allegations surrounding them. In Hindi, *daulat* means wealth. Mayawati, who declared assets of ₹87 crore in May 2010, is fighting charges of disproportionate assets in the Supreme Court.

The angst of Devi and Karchana's villagers go back to a July 2009 buyout of Sangam Power and Generation Company, a state-owned company initially tasked with constructing the power plant, by the Jaypee group. The Uttar Pradesh government had acquired 1,700 acres of land for Sangam in December 2007, say villagers They feel cheated that their land eventually made its way



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"The problem for politicians today is [their own] duplicity and the government runs on perceptions"

SHAILENDRA SINGH
Congress candidate, Saiyadraja, Uttar Pradesh

Up in arms: Nanki Devi and villagers in Karchana, Uttar Pradesh, protest against land acquisition by the state government

Held up: Ludhiana, the bicycle capital of India, is losing its shine as power shortage and inadequate infrastructure erode competitiveness

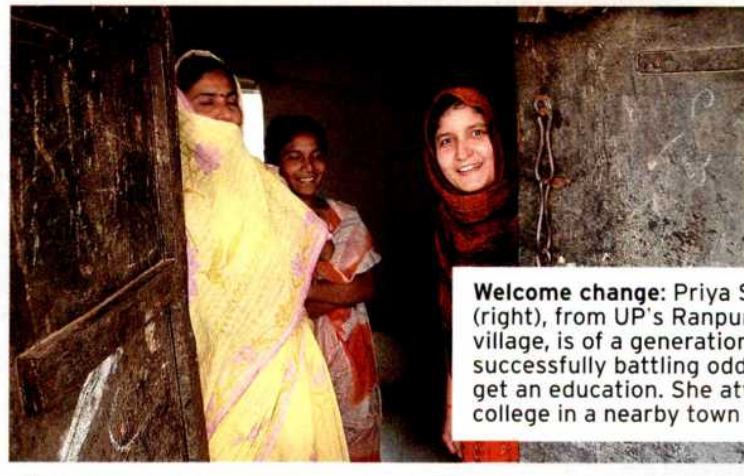
RAMINDRA PAL SINGH

"One can blame policy paralysis and distorted policies for it. Until the 2014 general elections, the government will not be able to show the necessary political will"

D.K. SRIVASTAVA
Director, Madras School of Economics

"There are many types of reforms: Administrative, developmental, increasing transparency in government functioning, introducing technology to improve governance"

D.V. SADANANDA GOWDA
Chief Minister, Karnataka



Welcome change: Priya Singh (right), from UP's Ranpur village, is of a generation successfully battling odds to get an education. She attends college in a nearby town

SHEKHAR GHOSH

into the hands of a private company and accuse the government of being a *dalal* or broker for business. However, Suresh Jain, Managing Director, Jaiprakash Power Ventures denies any conflict. "As a policy wherever we go, we take the local people along on our path of growth, building hospitals, schools, etc," he says.

Karchana is Ground Zero in an India decelerating alarmingly as the economy gets sacrificed for politics. This, to be sure, is not something new, but the compulsions of politics this time around get worse as legislative elections in Uttar Pradesh, India's largest state by population – and number of seats in Parliament – loom around the corner. There are four other state elections slated for 2012 and another three scheduled for the year after too.

All this leading to the biggest hustings of them all: parliamentary elections which will have to be held before May 2014. In the wake of corruption investigations, dysfunctional governance and a growing gulf between politicians and the people, the polls will circumscribe economic policy options.

Home Minister P. Chidambaram warned of such a situation in August. The outcome of stalled reforms would be a slide in the growth trajectory, bringing it down to five to six per cent, something he referred to as the "Hindu plus rate of growth". Chidambaram's description is a variant of what economic historians call the Hindu rate of growth, a phrase used to describe India's disappointing annual average growth rate of 3.6 per cent in its three decades of socialism until 1980.

The outcome of the negative developments is that economic growth over the next three years is likely to fluctuate in range of seven to 7.5 per cent, says D.K. Srivastava, director of Madras School of Economics. "It is definitely below our potential," says the economist. "One can blame policy paralysis and distorted policies for it. Until the 2014 general elections, the government will not be able to show the necessary political will."

On November 28, Citigroup made a prediction that mirrored Srivastava's expectations. A report by the bank pegged India's economic growth till March 2014 in a band of seven to 7.7 per cent, as compared to an average growth of 8.44 per cent

"Our long-held expectation of a hardish landing for the Indian economy is now materialising"

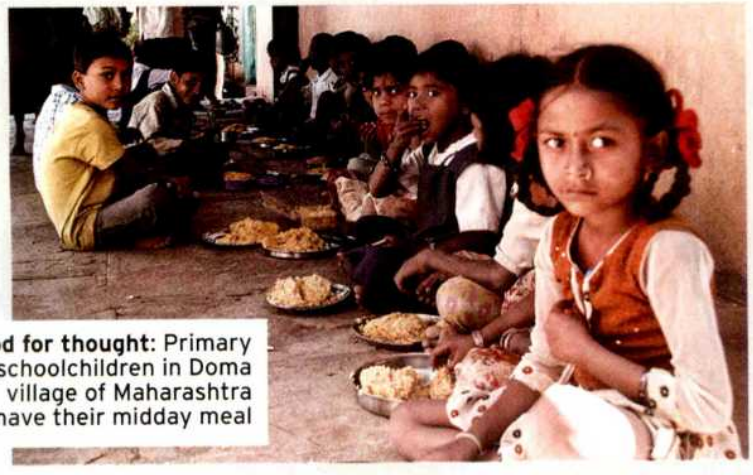
MOLE HAU

Analyst, BNP Paribas

SHEKHAR GHOSH

Dark future: Power outages plague UP making it an important issue in the coming assembly polls

NISHIKANT GAMRE



Food for thought: Primary schoolchildren in Doma village of Maharashtra have their midday meal

"The entire village economy has changed because suddenly there's more money in the village"

SHUBHASHIS GANGOPADHYAY

Former Economic Advisor

over the last five years. Two days later, the statistics ministry announced that gross domestic product, or GDP, for the second quarter of the fiscal year 2012, expanded at 6.9 per cent from a year ago, the lowest rate in over two years. "Our long-held expectation of a hardish landing for the Indian economy is now materialising," Mole Hau, an analyst with a Singapore unit of BNP Paribas concluded in a report.

Economists see the writing on the wall and proffer the fix. Rohini Malkani and Anushka Shah of Citigroup, for instance, have called for "determined policy making" to stem the rot. Resolute governance, however, is likely to be increasingly rare as *Business Today* writers who travelled in and reported from Uttar Pradesh, Punjab, Maharashtra and Karnataka found. They discovered that the eroding credibility of politicians has led to a logjam.

In other words, electorates no longer believe the politicos. In the absence of trust, tough decisions involving a delicate balance between different stakeholders are unlikely to be taken. Shailendra Singh, the 45-year-old Congress candidate for next year's assembly elections in Saiyadraja in east Uttar Pradesh, is taking an afternoon break from campaigning at Ranpur, a village with a population of about 1,200. In surrounding fields, villagers have begun harvesting the kharif or monsoon season's paddy crop.

Singh has traded the khaki he wore as a police officer for a white shirt, trousers and sports shoes. "The problem for politicians today is [their own] duplicity and government runs on perceptions," he says. The perception of the state turning a broker for big business interests even if it means short-changing the people has, he insists, led to an erosion of its credibility among the citizenry.

N. Bhaskara Rao, Chairman, Centre for Media Studies (CMS), a media research agency in New Delhi, agrees and says this is borne out by his quarterly surveys of voters. "There is despair across the country," Rao says. "Whom to trust is a dilemma for voters. Anna Hazare should thank politicians as they paved the way for him."

In villages around Saiyadraja, Singh fields questions on the central government's stance on Hazare's demands on the Lokpal public accountability legislation. At Karchana,

MGNREGS: GROWTH'S BY-PRODUCT

Mahatma Gandhi National Rural Employment Guarantee Scheme, or MGNREGS, started six years ago as a safety net for the poor and has turned into a kind of income transfer scheme that currently costs about ₹40,000 crore a year. The fundamental difference between MNREGS and its earlier versions is that the former is a legally sanctioned entitlement and the union government has to generate resources to keep this popular scheme going.

Poverty-stricken Melghat region of Maharashtra has instances of MGNREGS' transformative power. They also serve as a stark reminder of the positive spin-off of last decade's high growth. Without that growth entitlements such as MGNREGS would not have been possible.

Doma is a small hamlet situated 60 km from Chikaldhara block in the Melghat region of Maharashtra where MNREGS has changed the landscape. Jugnu Soma Ulke, 45, says: "Earlier we had no work and so I had to go outside the village in search of daily work. But, last year I got enough work under the NREGS and earned a total of ₹40,000."

Similarly, 50-year-old Damu Dhurve says that she and her husband earned roughly around ₹25,000 last year because of NREGS. She says, "Earlier we ate *chutney* and *roti*, today we eat *dal*, *roti* and *sabzi*." Over the last 15 months in Doma alone the beneficiaries have earned enough not just for their basic needs, but also to buy motorbikes, mobile phones and gold. "The entire village economy has changed because suddenly there's more money in the village," says Shubhashis Gangopadhyay, talking about the macro impact. The transformation in Doma is not confined to just consumption, but extends in chipping away at indebtedness.

Gulab Mohanlal Patote, deputy village head of Doma says villagers have stopped borrowing from money lenders following the successful implementation of the scheme.

ANUSHA SUBRAMANIAN

NISHIKANT GAMRE

Present perfect: Damu Dhurve (in pink) relaxes with family

₹40,000 crore set aside for MGNREGS this year

rather than Jaypee, the rage of agitating villagers is directed at the government accusing it of not keeping promises of securing jobs at the proposed power plant

A key reason for the decline in GDP growth has been slowing investment since 2010 caused at least partly by the Reserve Bank of India, or RBI's, policy of nudging up interest rates to beat down inflation. For the July-September period, investments contracted for the first time in three years. The RBI policy's impact on inflation, however, has been blunted by the central government's inability to rationalise expenditure and pull back fiscal deficit, which is all but sure to exceed the 4.6 per cent of GDP target set for the current fiscal year. If the deficits of states are included, the deficit is estimated to reach 9.5 per cent – a figure that India will be hard-pressed to pull back as it enters what many are calling "election mode".

Punjab, India's bread basket, is a good place to understand why rationalisation of government expenditure, in the form of subsidies are never discussed with voters even if it is counterproductive. About 225 km south-west of Chandigarh is Bhatinda, a cotton growing belt. In rural Bhatinda, the early winter air is filled with smoke from charred paddy fields. Burning fields, which is illegal, is resorted to as a cost effective and quick way of clearing the ground for the next crop.

Ranbir Singh, a farmer at Kotsmir village, is furious when asked about

free electricity people such as him get. "Connections are difficult to get. People who applied for one in 1990 are getting it now," he says. To get free power, he will have to spend about ₹2 lakh to install a tube well. This is beyond his means and amounts to an outgo of some ₹2,500 a month for electricity. About 10 km farther is Kotpara village comprising big land owning families each make about ₹40 lakh a year by renting out land for farming, for which they gets power for free.

It is this lopsided nature of reforms that irritates Yoginder Alagh, an agricultural economist who was union power minister between 1996 and 1998. "All your reform is up in the air, it has nothing to do with functional realities," he says.

The contentious decision of the union cabinet to allow foreign direct investment, or FDI, in multi-brand retail is an example of a half-baked reform measure that largely ignores reality. FDI in modern retail is being presented as an antidote to rampant inflation, while little has been done to remove middlemen who have a vice-like grip over aggregated procurement of fresh farm produce such as vegetables and fruits, or

"All your reform is up in the air, it has nothing to do with functional realities"

YOGINDER ALAGH
Former power minister

even grains and pulses."What prevents big business houses from starting retail business? Are you saying retail business is not competitive without foreign technology? Stand up and say so," says Shubhashis Gangopadhyay, managing trustee at the not-for-profit research outfit India Development Foundation. In early 2008, he was handpicked by then finance minister P. Chidambaram as his economic advisor.

A week after the union cabinet cleared FDI in retail, the political climate for reforms has just become more challenging, while India's fat layer of intermediaries remains entrenched and unchallenged.

What makes the waters even more turbid is the likelihood of shortened careers of politicians. "The consequence of all this is there will be a much quicker turnover of politicians and governments for the next 10 years," says CMS's Rao. "This is different from anti-incumbency, which was about not delivering. This is about a broader, larger failure of the political pillar."

The farsighted among politicians have begun to respond in symbolic ways. D.V. Sadananda Gowda, Karnataka's chief minister, has installed cameras in his office at the state secretariat in Bangalore and his home-office, and live footage can be accessed at *http://202.138.105.5/karnatakacm/index.html*. Kerala's chief minister Oomen Chandy was the first one to do so (*www.keralacm.gov.in*). Gowda, who became chief minister after his predecessor B.S. Yeddyurappa left in ignominy in July, has gone a step further and begun to avoid using the helicopter for travel within the state. "There are many types of reforms. Administrative, developmental, increasing transparency in government functioning, introducing technology to improve

THE ELECTION COUNTDOWN BEGINS

MARCH 2012

Punjab
Politicians might tiptoe around power subsidies

Manipur
Ethnic tensions may dominate

Uttarakhand
BJP's internal wrangling could affect outcome

MAY 2012

Uttar Pradesh
Potpourri of identity, performance and personalities. The most important battle

JUNE 2012

Goa
Illegal mining will dominate campaign

MAY 2013

Karnataka
Crony capitalism will face voters' wrath

DECEMBER 2013

Madhya Pradesh
Performance oriented CM may give BJP the edge

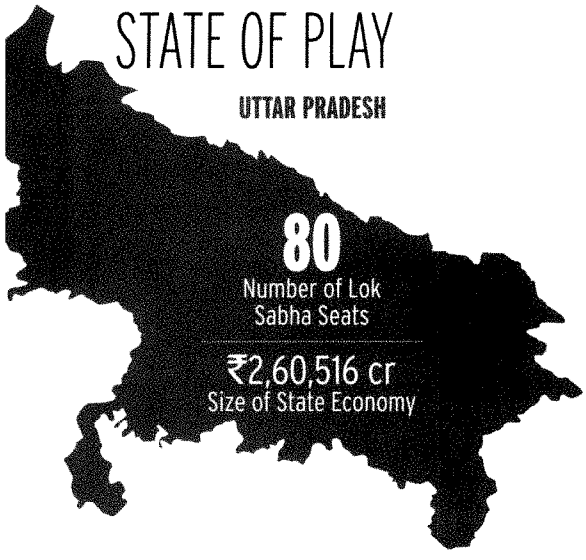
Rajasthan
Congress has its back to the wall

MAY 2014

India
A sullen country will have to make tough choices

Dates represent end of terms of state assemblies and Parliament

STATE OF PLAY



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Source: Election Commission; Reserve Bank of India

governance are some," says Gowda.

Cross-country evidence backs him. Still, such measures may be piecemeal. Lack of good governance is today proving the biggest roadblock to moving people from farms to factories, without which more than half of India will continue living off an activity that contributes just 15 per cent of GDP. Worse, millions of farmers with fragmented holdings – RBI data shows marginal holdings, defined as up to 2.47 acres, make for nearly two-thirds of all operational holdings in the country – seldom benefit from farm subsidies.

This plays out at Rohaki, a village of about 1,500 people about 50 km east of Varanasi. From its periphery, paddy fields stretch for as far as the eye can see. Miles of paddy do not symbolise prosperity here, though. Shailendra Singh, a farmer in his mid-20s who shares his name with the Saiyadraja politician, has seen many of his friends leave for cities in search of jobs. The migration is not surprising as he remorsefully says that only well-networked farmers will get to sell the coming winter's wheat harvest at the government-set minimum support price. The rest sell it at a lower price to traders.

"Today, farming is not a paying proposition," says Gangopadhyay. Three years after he left the government, the pony-tailed economist who describes himself as a market fundamentalist, says even if farmers want to quit farming, lack of trust is an inhibiting factor. He has a two-step approach to reforms here. "You need to sequence change in farm sector. First, honour your promises made to farmers. Then stop giving sops," he says.

"There is despair across the country. Whom to trust is a dilemma for voters. Anna Hazare should thank politicians as they paved the way for him"

N. BHASKARA RAO
Chairman, CMS

But, there is no quick fix and the likes of Gangopadhyay expect the second decade of what some call India's century to roll by before changes happen. "By 2020, we'll work ourselves out. Small individual things are happening and when they come together, they will have a big impact," he says. The current spate of protests and public interest litigations are signs of the change, he believes. These will eventually catalyse greater accountability and transparency in the system that, in turn, will enhance the quality of governance – the factor that RBI governor D. Subbarao recently identified as the common thread across successful countries over the last 60 years.

Part of this groundswell is playing out in Saiyadraja already. Singh, the policeman-turned-politician there, points to Deepesh, 23, who is part of his campaign. According to Singh, Deepesh recently came up to him and asked if Sonia Gandhi and Rahul Gandhi had secret Swiss bank accounts. The appalled Congress candidate from Saiyadraja asked Deepesh who had made the allegation. "Facebook," was the answer. Deepesh says several young people in villages have Facebook accounts and access them through mobile phones.

Singh smiles when he says, "Tomorrow's successful politician will be one who can guarantee service delivery." Even if takes some doing. ◆

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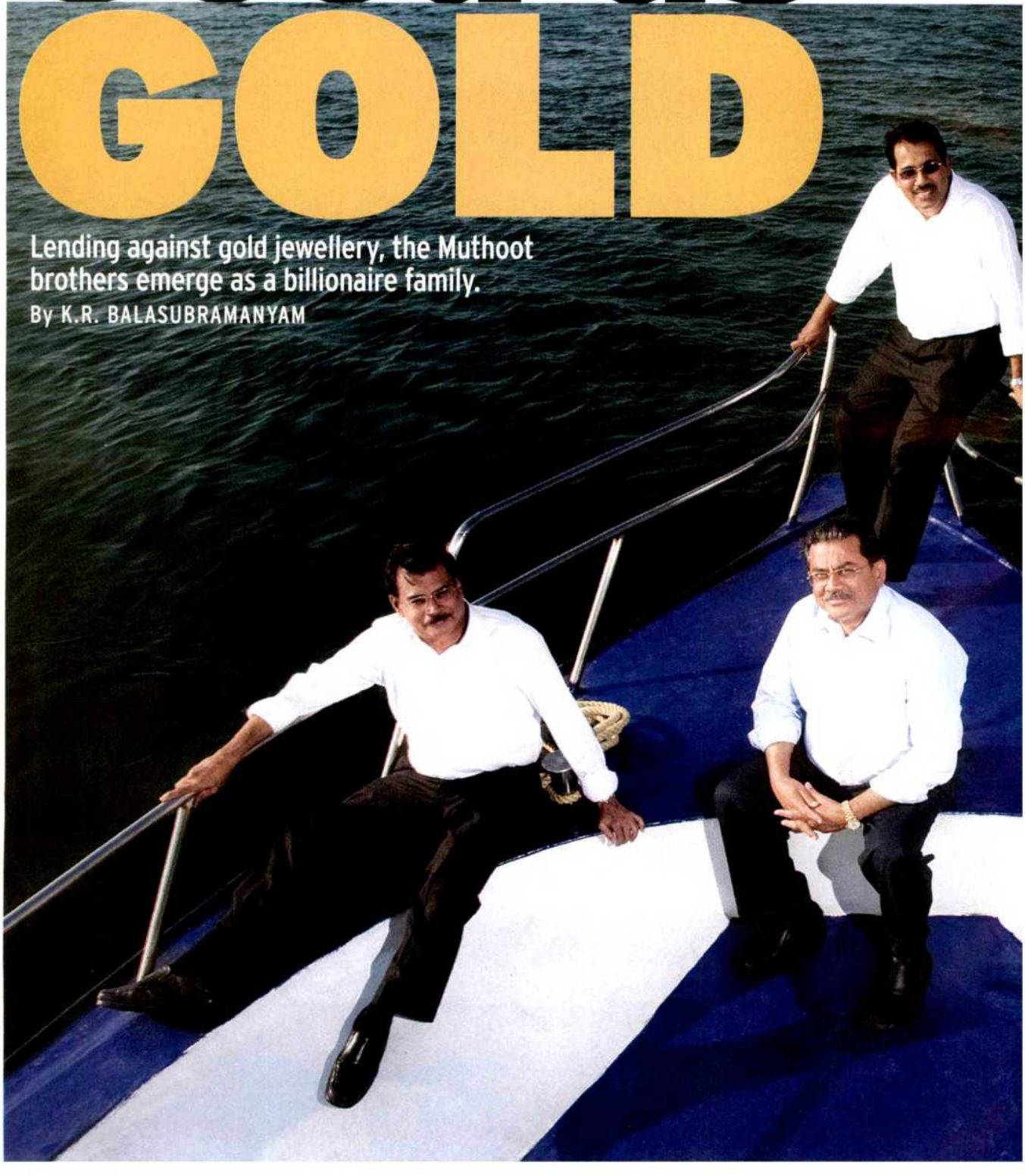
Good as GOLD

Lending against gold jewellery, the Muthoot brothers emerge as a billionaire family.

By K.R. BALASUBRAMANYAM



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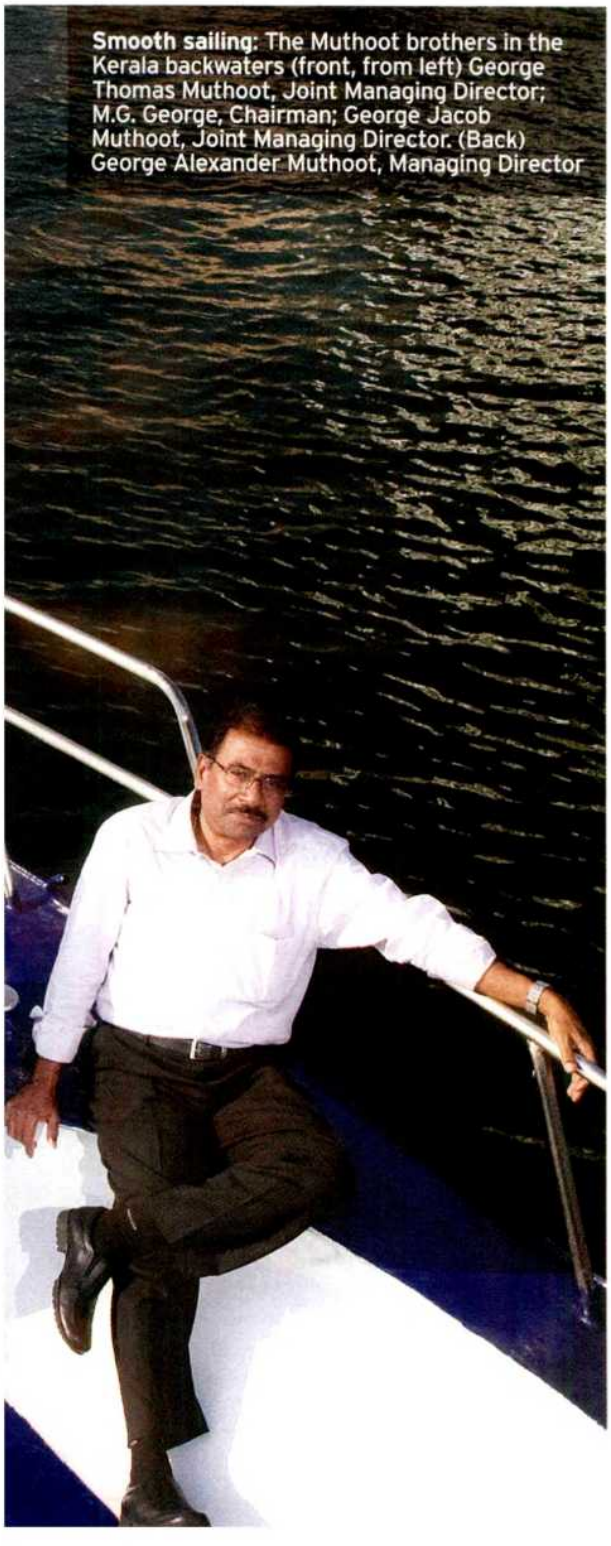
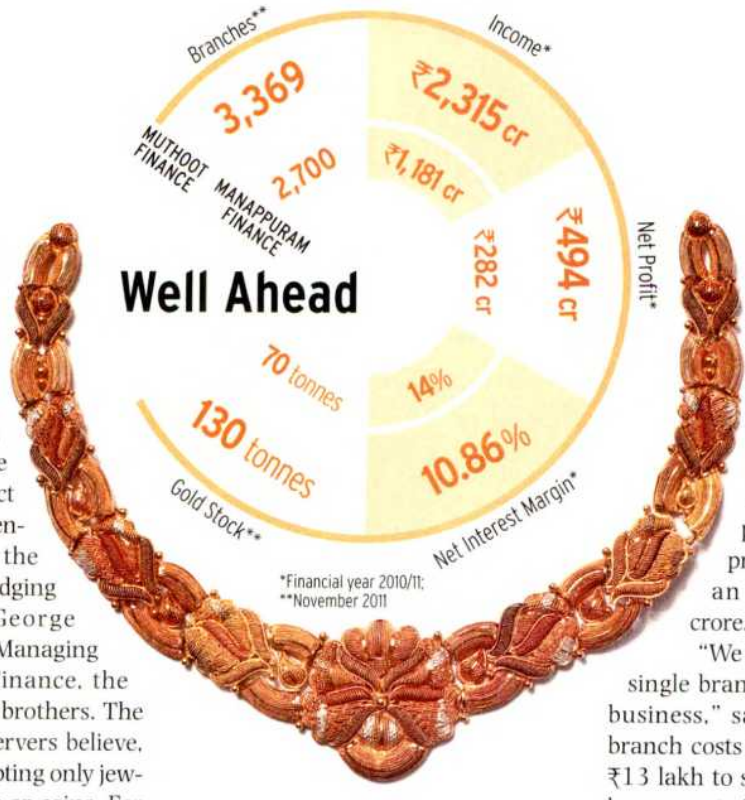


Smooth sailing: The Muthoot brothers in the Kerala backwaters (front, from left) George Thomas Muthoot, Joint Managing Director; M.G. George, Chairman; George Jacob Muthoot, Joint Managing Director. (Back) George Alexander Muthoot, Managing Director

hey run 18 different businesses, from houseboats to rubber plantations. But mention the name 'Muthoot' and only one of these comes to mind: gold loans. Muthoot Finance, a non-banking finance company, or NBFC, run by the four Muthoot brothers, has made a remarkable success of a business historically associated with pawnbrokers. It is today the largest lender against gold jewellery in the country with around 130 tonnes of gold currently in its vaults held against advances of ₹20,766 crore. Indeed, the enthusiastic response to Muthoot Finance's initial public offer in May this year – oversubscribed 24.5 times and netting ₹906 crore – makes the brothers, who own 80 per cent of the stake, worth nearly a billion dollars.

Builder Sayed Nazrullah often borrows from Muthoot Finance's Koramangala branch in Bangalore. He currently owes the company ₹45 lakh. "I borrow to make payments whenever these have to be in cash," he says. "There is no risk in keeping one's jewellery with Muthoot, unlike with pawnbrokers, who wait for any opportunity to sell off your gold."

Muthoot Finance's rise is due to two factors: its rapidly growing portfolio of gold loans and its low rate of borrower default. The first is the result of an aggressive advertising campaign to underscore the speed and ease with which the company provides the loans, as well as to point out that there is nothing wrong in families monetising gold ornaments in times of need. Muthoot's advertising budget, ₹60 crore in 2010/11, has been



raised to ₹100 crore in the current fiscal year. The company is also the main sponsor of the Indian Premier League cricket team, Delhi Daredevils. "We are positioning our product as an option of convenience and removing the stigma attached to pledging jewellery," says George Alexander Muthoot, Managing Director, Muthoot Finance, the youngest of the four brothers. The low default rate, observers believe, lies in Muthoot's accepting only jewellery – not gold bars or coins. For most families gold jewellery has emotional associations: they ensure it comes back to them.

The Muthoot brothers hail from Kozhencherry in Pattanamthitta district of south-central Kerala. Their company is headquartered in Kochi, 105 km away, but its branches have spread all over the country, right up to Jammu in the north. It has been expanding at a furious pace, from 985 branches in 2009 to 3,369 at present. This is about the same number as Canara Bank – the third largest bank by number of branches in the country, behind only State Bank of India and Punjab National Bank – has. On a single day, January 31 this year, Muthoot Finance opened 103 new branches. "You cannot really canvass for gold loans," says Muthoot, a chartered accountant by training. "You can only increase your brand's visibility." In 2010/11, the company reported a net profit of ₹494 crore on an income of ₹2,315 crore.

"We have not shut down a single branch so far for want of business," says Muthoot. A new branch costs between ₹8 lakh and ₹13 lakh to set up. Customers can borrow up to 90 per cent of the value of the jewellery, for which they pay an annual interest varying between 12 and 24 per cent, depending on the size and tenor of the loan. In cases of default, the jewellery is auctioned off after a period of 16 months from the time it was pledged. The pledged valuables are kept in secure vaults, insured against burglary and fire. In 2010/11, Muthoot Finance's average lending rate was 19.7 per cent, while the cost of funds stood at 8.7 per cent. The average loan size was ₹35,000.

Backers of Muthoot Finance are gung-ho. "Gold is the new credit card for India's masses," says Rishi Navani, Managing Director of private equity firm Matrix India, which picked up a 2.11 per cent stake in Muthoot Finance last year in two separate deals for a total of around ₹104 crore. "People store a lot of assets in gold. I'm very positive about this company's prospects." Paradoxically, the currently bleak economic scenario can only help Muthoot. "The weak rupee, weak equity markets and low liquidity, will only sustain the demand for gold

Destination north: Muthoot Finance ads on boats along the Ganga river at Varanasi in Uttar Pradesh

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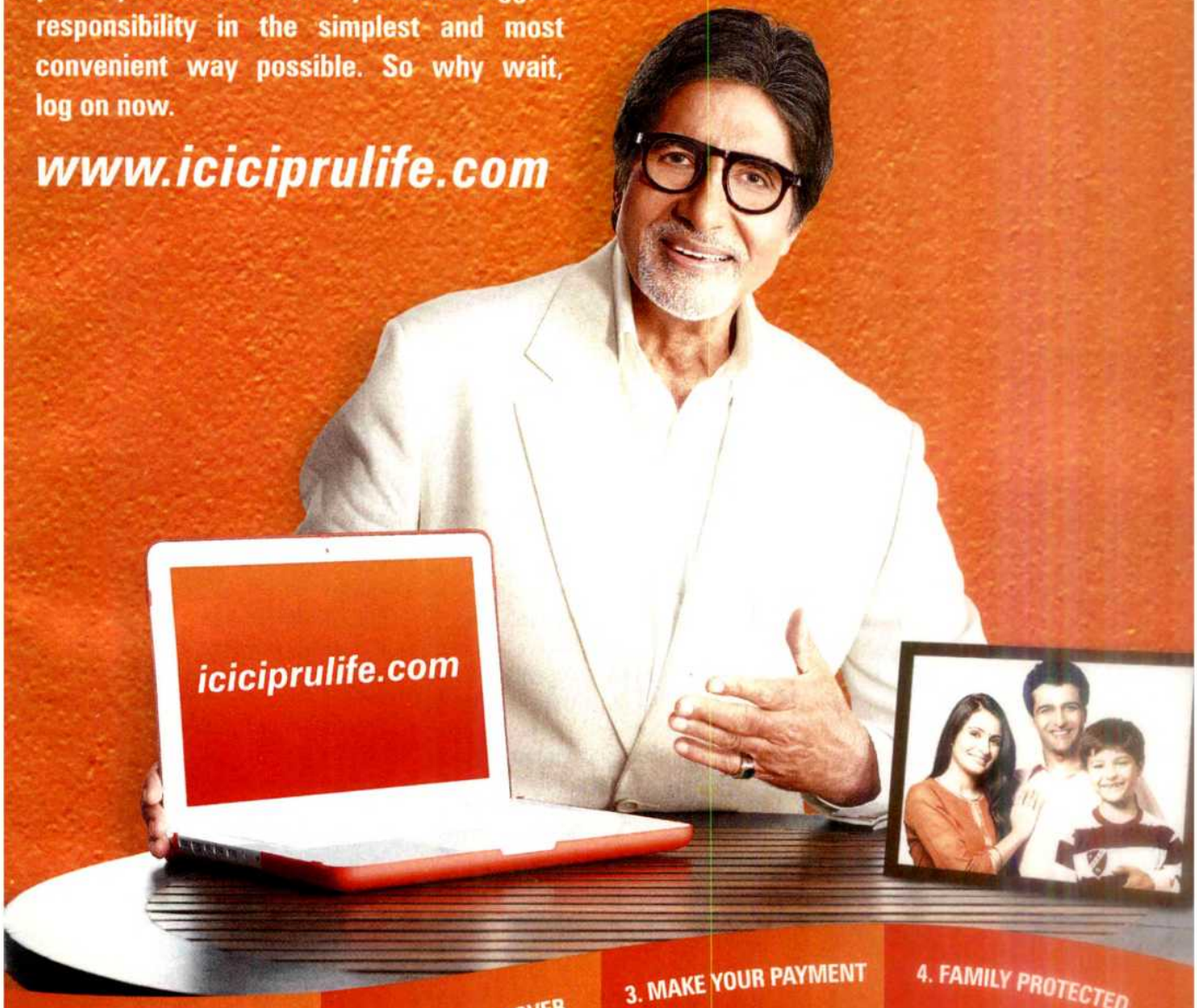

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V.P. Nandakumar, Chairman, Manappuram Finance

"I don't think RBI will interfere with network expansion of gold loan firms or cap their interest rates"

loans," says Alex K. Mathews, Head of Research at Geojit BNP Paribas Financial Services.

Bright prospects, however, invariably attract competition, and the gold loans category is no different. For the Muthoot brothers, there is, to start with, family competition – the NBFCs Muthoot Fincorp and Muthoottu Mini, headed by their cousins, Thomas John Muthoot and Roy M. Mathew, respectively. The father of the brothers running Muthoot Finance, M. George Muthoot, set up the gold loans business in 1939, along with his brothers, Muthoot M. Pappachan and Muthoot Mathew. But in 1975 they parted ways, with Pappachan and Mathew setting up their own gold loan companies. Muthoot insists the personal relationship between the three families remains cordial. "Ours is a healthy competition," he says. "We support one another in every way, except in business."

Besides, Muthoot Finance has always stayed well ahead of the other two. Its closest rivals are public sector banks, which also disburse gold loans; and in the private sector, Manappuram Finance, started by fellow-Malayalee V.P. Nandakumar, in 1992. Manappuram, headquartered at Valapad in Thrissur district of Kerala, has around 2,700 branches across the country. A 2010 report by ICRA Management Consulting Services said Muthoot Finance held a 19.5 per cent market share in the gold loan segment, followed by Indian Overseas Bank at 13.9 per cent, Indian Bank at 10.4 per cent and Manappuram Finance at 6.8 per cent.

So, are banks the real threat? Not really, feel analysts. For one, dispensing gold loans is hardly the banks' central activity; they can never give it the sort of concentrated attention NBFCs like Muthoot Finance or Manappuram do. Both claim to disburse loans up to ₹20,000 within 10 minutes of the gold jewellery being submitted – a speed no bank can match. Besides, banks need Reserve Bank of India's, or RBI's, permission to set up new branches, while NBFCs are currently under no such obligation.

Yet challenges remain. Though Muthoot Finance has a pan-India presence, around 85 per cent of its business still comes from the four southern states. It is trying hard to expand further in the rest of the country, with the eldest of the four brothers, company Chairman M.G. George Muthoot, who has based himself in Delhi, personally driving the growth in the north.

The RBI decision in February this year, to take gold loan companies off the priority sector lending list for banks, has affected them adversely. Since lending to gold loan NBFCs no longer improves a bank's priority sector credit score, the flow of bank funds has fallen, forcing the NBFCs to tap other sources and increasing their cost of funds. "Our expansion depends on the availability of funds," says Manappuram's Nandakumar. Muthoot, however, displays a stiff upper lip. "The RBI's policy on priority lending has impacted our cost of funds by just 0.5 per cent," he says.

Will RBI tighten the screws further on gold loan NBFCs? "I don't think RBI will interfere with network expansion or cap interest rates," says Nandakumar. But with increasing competition, the possibility of interest rates on gold loans tumbling is for real, but again Muthoot maintains he is not worried. "There are signs of that, but we are the first choice for customers," he says. "We set the industry standards." ◆

For more, go to businesstoday.in/nomura-hisao

HERE COMES THE SUN

RAJAT BARAN

Direct investment inflows from Japan have jumped 18-fold in five years. A close look at what is behind this rising interest in India

By ANAND ADHIKARI

Nitin Ram Potdar was in a 14th-floor Tokyo office in March this year, when the 8.9 earthquake hit Japan. The 48-year-old Mumbai-based corporate lawyer was preparing a presentation on mergers and acquisitions, or M&A, in India to a Japanese client. Potdar recalls that his host was amused to see him record the commotion in the street on his BlackBerry. "Earthquakes are normal here," his host said. All ended well, with Potdar and his host being escorted to safety.

'Normal' is a loaded word in the world's third largest economy, which has seen two decades of flat growth, rock-bottom interest rates, and an ageing population. This economy was the underlying reason for Potdar's visit. He sees his Japanese clients grapple with economic woes, natural calamities, political uncertainty and mounting government debt. "I end up talking 60 per cent business and 40 per cent law," he says. As he – or any investment banker in Mumbai, for that matter – can tell you, Japanese companies are on the prowl for acquisitions in India. "M&A is one of the fastest ways to start a business," says Akash Gupta, Executive Director at PricewaterhouseCoopers,

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"The yen's rise against the US dollar is a short-term phenomenon, and many Japanese want to take advantage of it."

Kohey Takashima, CEO and Founder, Oisix

"Japanese companies are losing competitiveness and seeking low-cost production bases in other countries."

Sandra Wu, President & CEO, Kokusai Kogyo Holdings

"I see plenty of potential in the education sector, as the root cause of many problems in India is there."

Toru Takahashi, President, Globis Organizational Learning

or PwC. Few know that Japanese companies were among the serious contenders for Patni Computers, which eventually went to iGate.

Some two dozen deals in the last two years – mostly in mid-sized Indian companies – are testimony to the build-up in Japanese interest in Indian industries, including advertising, auto parts, banking, cables, chemicals, and logistics. Among the biggest so far are the $450 million Panasonic-Anchor buyout in April 2007, the $4.6 billion Daiichi Sankyo-Ranbaxy deal in June 2008, and the $2.7 billion NTT DoCoMo-Tata Teleservices one in November 2008. M&A and greenfield ventures have led to an 18-fold jump in direct investment inflows from Japan over a five-year period (see *A Growing Yen for India*).

"Japanese companies are losing competitiveness," says Sandra Wu, President and CEO at Kokusai Kogyo Holdings. "They are looking for low-cost production bases and emerging centres of consumption."

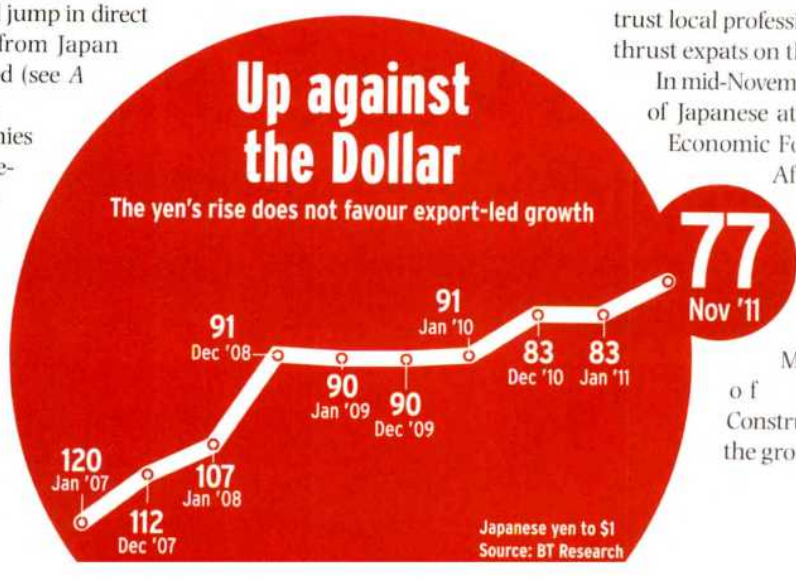
The torch bearers of the 800-plus Japanese companies in India are Suzuki, Honda and Canon. Reaching out early on to countries such as India is one of the reasons why they have outperformed the Tokyo Stock Exchange's Nikkei index.

"The government-to-government partnership also helps the investment climate," says Arun Agrawal, International Banking Head, Yes Bank, alluding to co-operation on energy, defence and infrastructure projects, especially the Delhi-Mumbai industrial corridor. These initiatives are percolating to the private sector.

"It is not only about capital, but also technological capabilities," says Alok Vajpeyi, Managing Director and CEO, Daiwa Securities India.

In early November, 20 Japanese heads of consumer, industrial goods and technology companies gathered in Gurgaon, near Delhi, for a two-day Indo-Japanese business summit. "After the presentations, we took them to the local hypermarket and a few factories," says host Sharad Verma, Partner and Director, Boston Consulting Group. The Japanese participants gained a better understanding of India's business environment, the value-consciousness of Indian customers, and the need to trust local professionals rather than thrust expats on them.

In mid-November, another group of Japanese attended the World Economic Forum in Mumbai. Afterwards, Kokusai Kogyo's Wu got on a helicopter with Ajit Gulabchand, Chairman and Managing Director of Hindustan Construction, and visited the group's Lavasa town-



Your dreams are not yours alone

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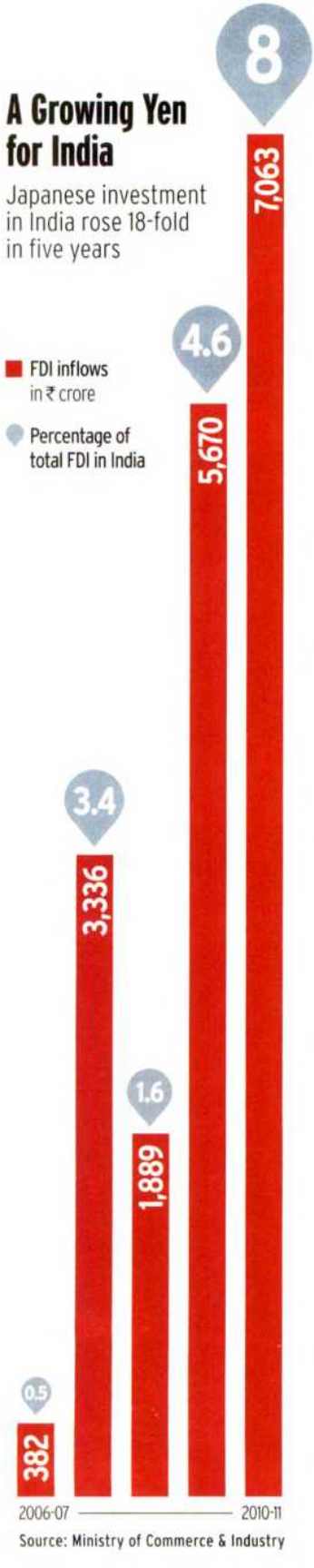

ship near Pune. Toru Takahashi, President of business education provider Globis Organizational Learning, attended meetings at the Indian Institute of Management, Bangalore, and the Indian School of Business, Hyderabad. "My idea is to unify the Japanese and Indian systems and create something new," he says. Kohey Takashima, CEO and Founder of online organic food retailer Oisix, went window-shopping at Mumbai supermarkets to see what they stock.

Sanjeev Sinha, President of Tokyo-based Sun and Sands Advisors, who has lived in Japan for the past 15 years, says Japanese awareness about India has increased. In the early 1990s, taxi drivers often asked him which restaurant he worked in, adding that they loved curry. Today, the average Japanese is likely to remark on India's 1.2 billion consumers and its need for better infrastructure.

About five years ago, Uday Kotak's investment banking team first uncovered the opportunity. In early 2007, it was scouting for a buyer for electrical switches manufacturer Anchor Electricals. Before long, French major Schneider Electric was edged out by Panasonic. "This first big deal gave us the feeling there was more opportunity waiting," says Sourav Mallik, Senior Director, M&A, Kotak Investment Banking. A year later, Japanese drug maker Daiichi Sankyo bought Ranbaxy Laboratories. In 2008, when Mallik accompanied a high-level team to Tokyo and Osaka to hold seminars, more than 300 Japanese companies participated. "We didn't have enough chairs for people to sit," he says.

"By the end of this year, we expect to close

> "The first big deal gave us the feeling there was more opportunity waiting."
>
> **Sourav Mallik,** Senior Executive Director, Kotak Investment Banking

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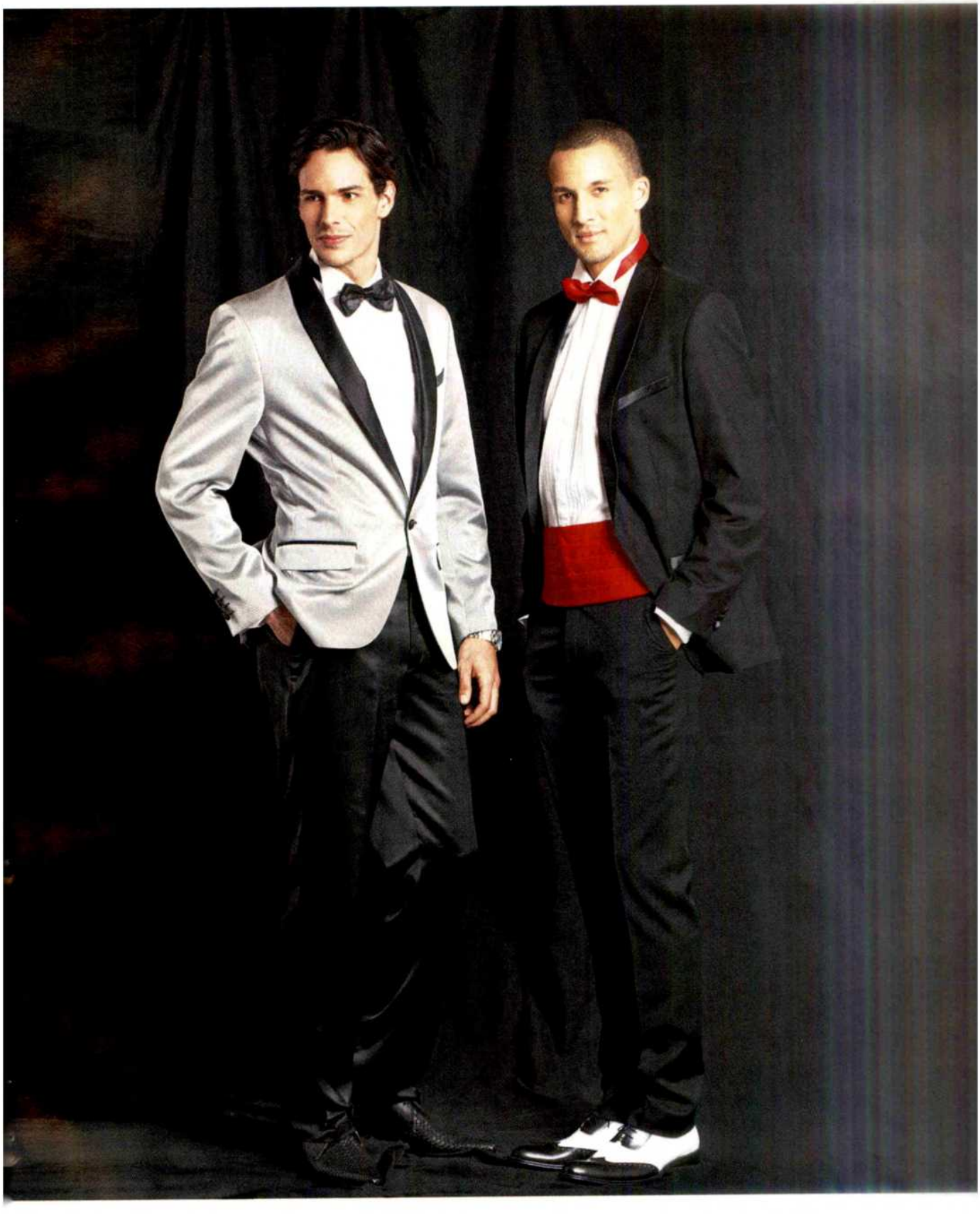

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China's Loss	India's Gain
Export-led economy, biggest markets in trouble	Growth driven by consumption, not exports
Politically tense relationship, economic rivalry	Cultural and political ties on an amicable footing
Intellectual property issues, such as China filing patents for technology that Japan says it invented	Judiciary system and intellectual property rights regime are comparatively fair
State-owned enterprises, little transparency in accounting	Entrepreneurial culture, good accounting practices
Slow birth rate, large chunk of working population approaching retirement	Demographic advantage, as labour force will continue to grow until 2030
Only 10 per cent of profits can be repatriated	Full repatriation of profits is allowed

six or seven deals," says Mallik, who handled Kokuyo-Camlin deal, closed earlier this year. Toshiba tied up with the Sajjan Jindal Group, and Hitachi with Chennai-based BGR Energy, to make turbines and generators. Mitsubishi has partnered with Larsen & Toubro to make boilers. About half a dozen Japanese companies are building smart cities in India. Ravindra Sannareddy, Founder and Managing Director of Sri City, which is building a 6,000-acre special economic zone – South India's largest – says many Japanese manufacturers plan greenfield ventures there. Japanese companies are also eyeing the steel industry, especially flat steel products used to make goods such as refrigerators and cars.

On November 15, Tokyo-based conglomerate Mitsui bought a stake in online payment service provider Suvidhaa Infoserve – including a seat on the board – for $12 million. Mitsui recently acquired a controlling stake in Russian online payment company Qiwi after buying a small stake. "Perhaps that is their approach," says Paresh Rajde, Managing Director and CEO, Suvidhaa.

When PwC's Gupta visited a Japanese auto parts factory in Bangalore, he was struck by the influence of Japanese methods. "They have a zero-error style of working, and an emphasis on efficiency," he says. That approach is reflected in business moves, too: they start with a small step, and take a bigger one only after they feel comfortable. Kokuyo entered into a distribution tie-up with stationery maker Camlin before buying a majority stake. "It is their corporate culture," says Kotak's Mallik. Tokio Marine took almost six years to decide to enter India's life insurance business. It signed a joint venture with the Edelweiss Group in 2009, and spent another two years finalising the business plan. The Japanese are tremendously averse to failure, says Sinha of Sun and Sands.

Oisix's Takashima explains Japanese caution: "The Internet and new businesses are changing corporate culture." Yes Bank's Agrawal says the attitude will change once there are success stories. "India is far more blue-sky and entrepreneurial," adds Vajpeyi of Daiwa Securities.

Besides Japan's ho-hum economy and India's growth, there are other reasons for the Japanese to invest here. "The yen's rise against the dollar is a short-term phenomenon that people want to take advantage of," says Takashima. China's competitive market is another reason. "The largest consumer durable player in China survives on a market share of six to seven per cent," says Verma of Boston Consulting. "Japanese companies are looking to balance out their investment in Asian countries," says Hisao Nakajina, President of the Nomura Research Institute.

Many Japanese companies have gone beyond baby steps, but need to tread carefully. The biggest investment – Daiichi Sankyo-Ranbaxy – has halved in three and half years, though that could have happened back in Japan, too. For now, Japanese companies' future is abroad, and India is a good place for them to be. ◆

"The government-to-government partnership helps build a sound investment climate."

Arun Agrawal,
Senior President, International Banking, Yes Bank

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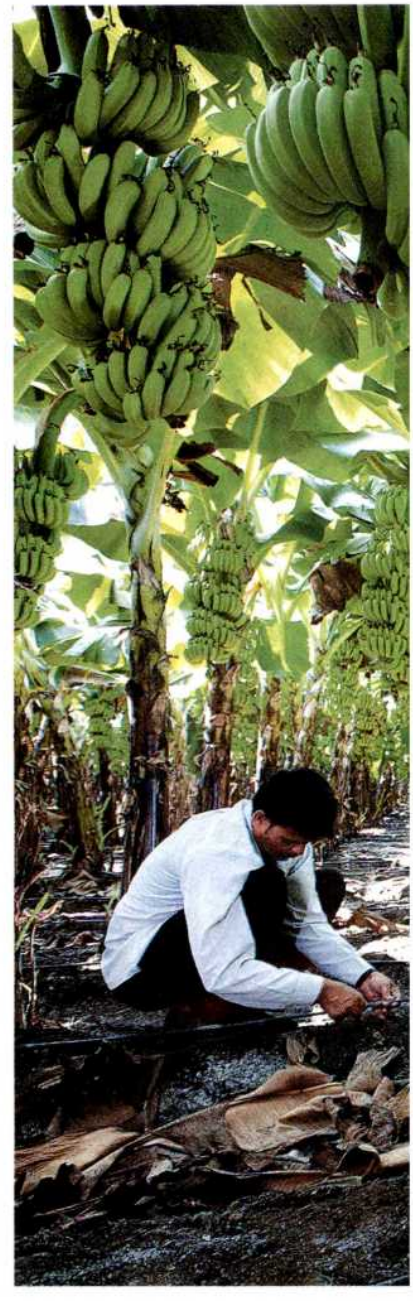
Funding on Tap

Subsidy delays spur irrigation companies to think about lending to farmers. By G.SEETHARAMAN

The rustic quiet of Pahur village in Maharashtra's Jalgaon district is broken by Dilip Deshmukh's powerful voice, which belies his slight, 50-year-old frame. The farmer owns 40.5 hectares (a hectare is 2.47 acres) of land, of which one-fifth is banana orchards. In February, he bought a drip irrigation system for four hectares of his banana farm spending ₹2 lakh.

As agriculture in India modernises – micro irrigation via drips or sprinklers can cut water use by up to 70 per cent, depending on the crop, soil and climate – farmers like Deshmukh are prime customers of companies selling such systems. The market for micro irrigation systems is ₹3,000 crore today but long delays in release of subsidies under schemes funded by the central and state governments are coming in the way of bigger revenues for the companies.

Some ₹72,000 in subsidies on Deshmukh's February purchase, for instance, is yet to be released to Jain Irrigation Systems. To reduce the large receivables – estimated at ₹1,700 crore, of which subsidies account for ₹1,300 crore – on its books, Jalgaon-based Jain Irrigation plans to start a non-banking finance company, or NBFC, by March 2012 that will help farmers finance purchases of irrigation systems. The NBFC plan,



Fruitful endeavour: Dilip Deshmukh (centre) and two workers inspect irrigation drips on his farm in Maharashtra

RACHIT GOSWAMI/www.indiatodayimages.com

"Farm equipment is financed through banks or NBFCs worldwide, including India. Micro irrigation is also getting there"

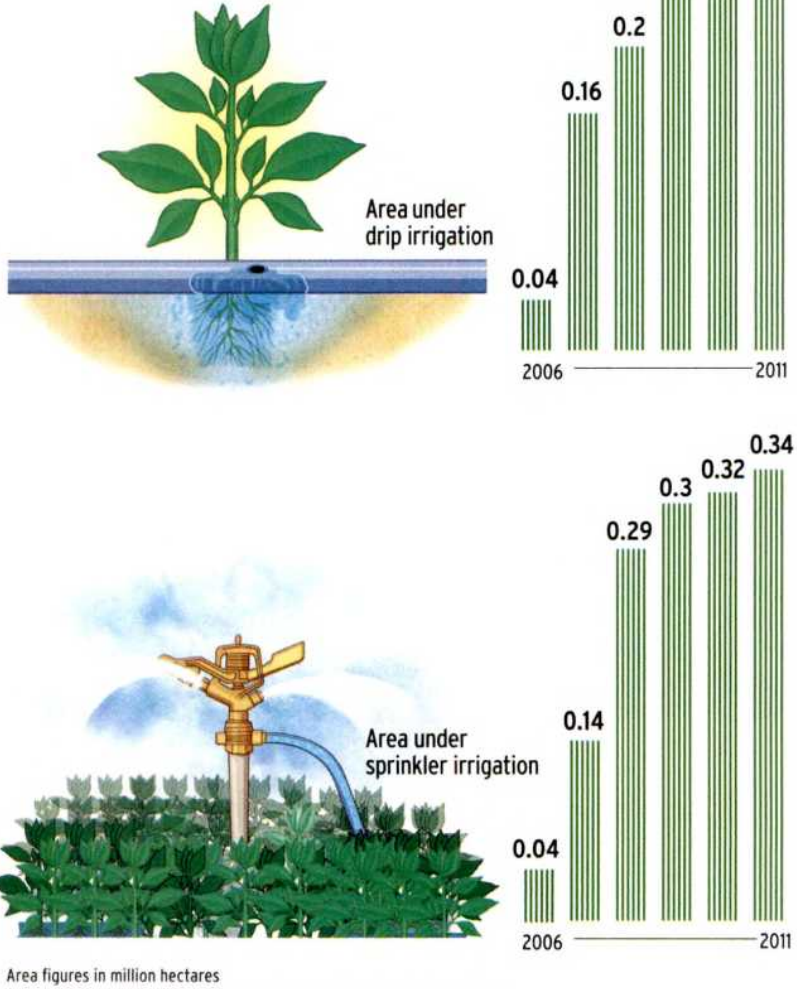
Anil Jain, Managing Director, Jain Irrigation

announced early this year, is part of the industry's attempt to alter its business model to sustain growth. The sector has grown at a compound annual rate of 25 per cent for the past four years but delays in the release of subsidies are a big problem. India has some 200 micro irrigation companies, and the biggest is easily Jain Irrigation – it is also the world's second largest, after Israel-based Netafim – with nearly 45 per cent of the market.

The central government provides 50 per cent of the irrigation system cost as subsidy to marginal and small farmers (those who own two hectares or less). Others get 40 per cent central government subsidy. State governments provide at least another 10 per cent. In some states, such as Andhra Pradesh, subsidies can be as high as 90 per cent of the cost. Farmers can seek subsidy for up to five hectares every 10 years. Between 2005/06 and 2010/11, the central government disbursed nearly ₹2,750 crore in micro irrigation subsidies.

ROOM FOR GROWTH

Of 141 mn hectares of cultivable land, only 62.3 mn are irrigated and 5.5 mn are micro irrigated. The opportunity is huge



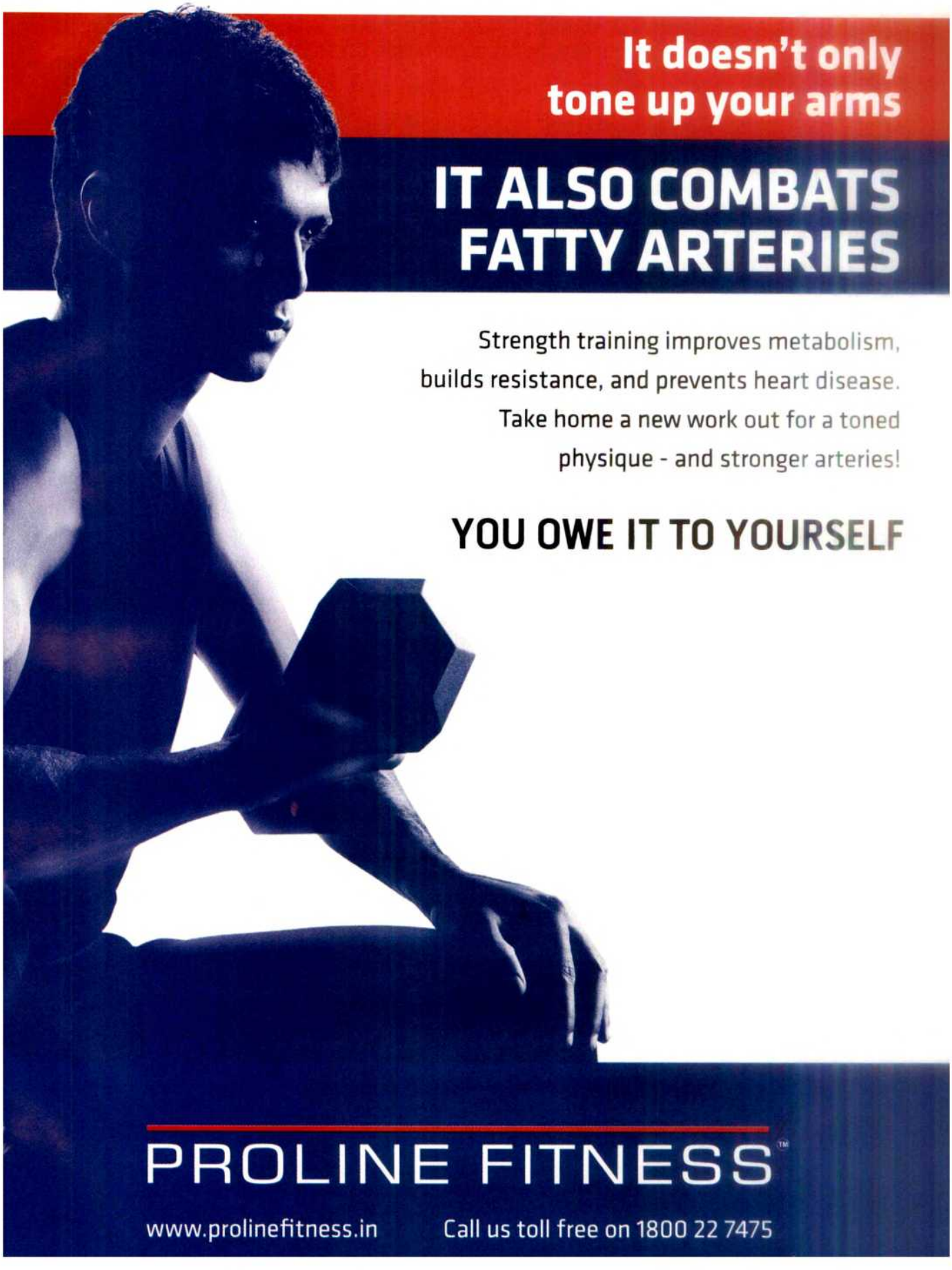
Area figures in million hectares
Source: National Committee on Plasticulture Applications in Horticulture

Delayed and Denied

Some farmers get less than the minimum central government subsidy if the cost exceeds the government's estimates, says Krish S. Iyengar, Joint Secretary of the agriculture ministry's National Committee on Plasticulture Applications in Horticulture, or NCPAH.

Then there are the delays. When a farmer buys a micro irrigation system through a dealer, he pays his share, and asks the district-level government agency concerned to forward the subsidy to the company. Satish Ghatpande, Executive Director of Pune-based micro irrigation systems manufacturer Finolex Plasson Industries, says: "Disbursal should take no more than 45 days, but sometimes takes up to 12 months." So the company and dealer have to borrow to meet their working capital needs.

Among the worst off is Andhra Pradesh. Anil Jain, Managing Director, Jain Irrigation, says Maharashtra, which together with Andhra Pradesh accounts for 55 per cent of his company's sales, has also had problems in the past year. Gujarat stands out. "It releases subsidies in 40 to 45 days," says Ghatpande. Iyengar of NCPAH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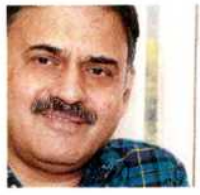


"Ideally, it shouldn't take more than 45 days for the subsidy to be disbursed, but it sometimes takes up to 12 months"

Satish Ghatpande, Executive Director, Finolex Plasson

concedes there are delays, but says: "We have to inspect the systems and that takes time."

A Burden Shared

The longer the dealer takes to collect the subsidy, the longer the company's working capital cycle gets. Mahesh Chauhan, a Finolex Plasson dealer in Burhanpur district, Madhya Pradesh, says: "Most of the time, we use our own funds. If subsidies don't come in on time, we suffer."

To get around the problem, Jain Irrigation's NBFC, which is awaiting the approval of the Reserve Bank of India, or RBI, will lend to farmers so that the company gets the full price at the time of the sale. The farmer then assigns the subsidy to the NBFC.

An NBFC firm at Netafim's Indian operations may be next. Netafim India is the country's second biggest player, with a 15 per cent market share. Industry executives say it has RBI permission, and will set up the NBFC next year. Managing Director Randhir Chauhan declines to discuss it, but stresses on the need for change. "In some states, farmers bear some of the burden of delays by borrowing."

Smaller companies cannot set up NBFCs, but are also trying to make life easier for debtors. Nagarjuna Fertilizers and Chemicals, which has receivables of ₹60 crore, has a cash-and-carry model, for instance. "But we give dealers cash discounts if subsidies are delayed," says R.S. Nanda, Senior Advisor, Finolex Plasson is discussing a credit scheme for dealers with banks, but Ghatpande is tight-lipped about details. The firm expects revenues of ₹200 crore this year, up from ₹170 crore in 2010/11.

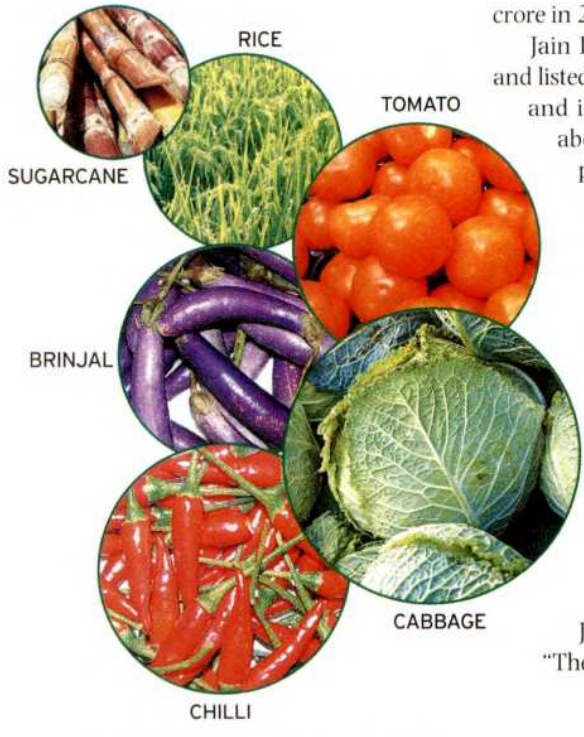
Jain Irrigation is the only large and listed micro irrigation company, and investors have been cagey about its NBFC plan, with a planned initial investment of ₹200 crore. When it proposed this in February, its share price fell by a third to ₹157.50 in three days. Currently, it is ₹123 – less than half its 52-week high last December; the Sensex fell 24 per cent in the same period.

Manoj Baheti, Associate Director, Institutional Research, Edelweiss Securities, says the NBFC's success is key to Jain Irrigation's growth. "The company's debt-equity ratio is 2X, and working capital loans are nearly half its total debt of about ₹3,000 crore," he says. "The NBFC will take some pressure off its balance sheet." Jain says he will pass the benefit of lower working capital loans to farmers.

Despite the challenges, more companies have entered the sector recently. Mahindra & Mahindra did so by acquiring EPC Industrie. Godrej Agrovet is in talks with an Israeli company. "Farm equipment is financed via banks or NBFCs across the world, including India. Micro irrigation is also getting there," says Jain.

When it does, the impact will not just be on the books of micro irrigation companies. Farming in India, ever dependent on the rains, may see transformation like never before. ◆

CROPS THAT DO WELL WITH DRIP IRRIGATION



WATER SOLUTION
Micro irrigation by numbers

AREA TO BE COVERED BY 2016
3.5 million hectares

COST
₹15,000–₹60,000
per hectare*

TOTAL SPEND
₹5,250cr–₹21,000cr

SUBSIDY TO FARMERS
50–90 per cent**

*Depends on crop
**Varies by state and scheme
Source: NCPAH, industry

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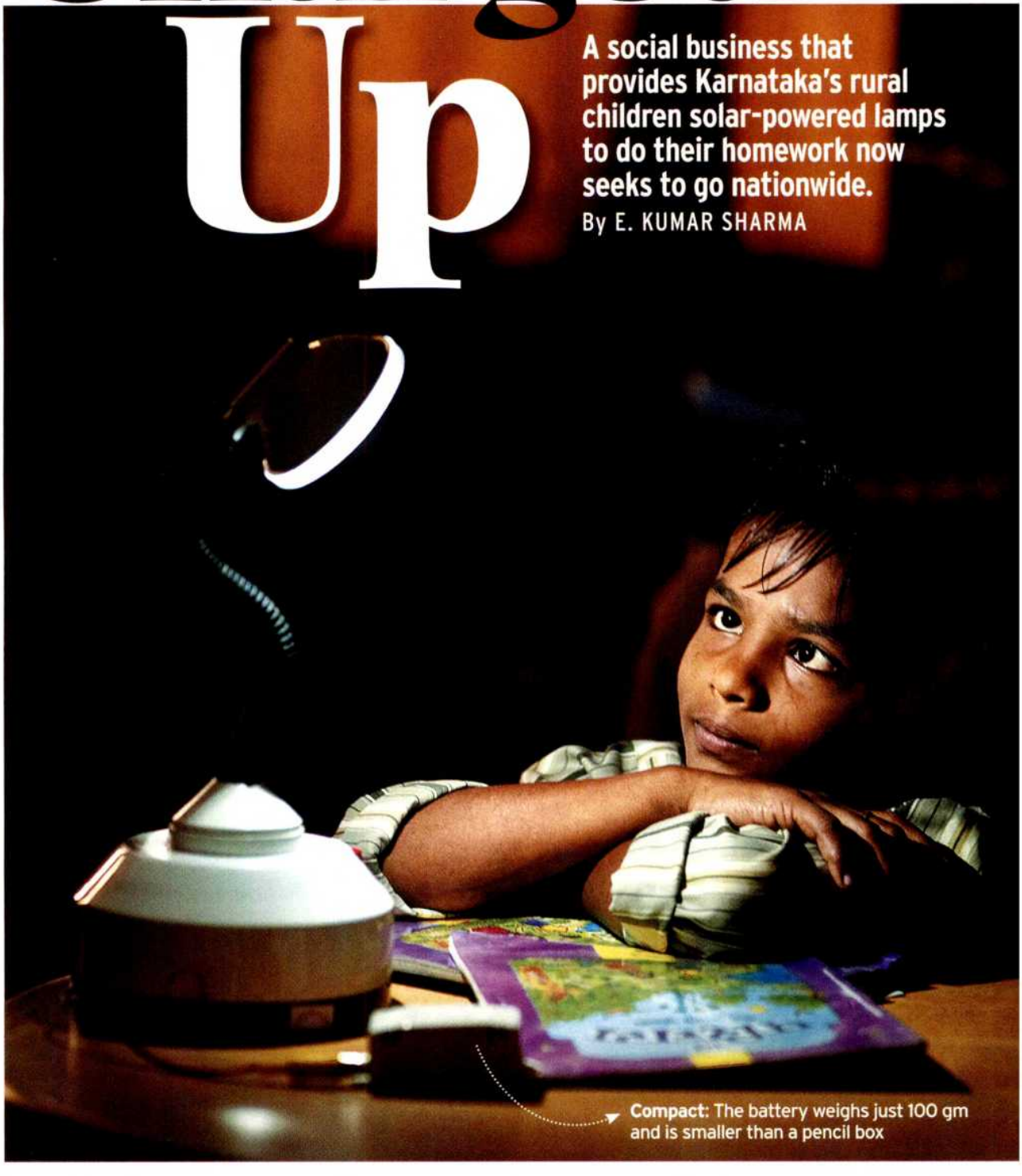
All Charged Up

A social business that provides Karnataka's rural children solar-powered lamps to do their homework now seeks to go nationwide.

By E. KUMAR SHARMA



Compact: The battery weighs just 100 gm and is smaller than a pencil box

VIVAN MEHRAW/www.indiatodayimages.com

Besides books, children's school bags contain important things – crayons, snacks, perhaps a favourite toy. But the students of Mahalaxmi School in Nivaragi village, some 650 km from Bangalore, have something more important: solar-powered batteries. The lightweight pocket-sized batteries power LED lamps at their homes and charged by solar cells in school. These lamps, provided free of cost, are brighter, cheaper and cleaner than the alternatives – kerosene lamps or candles – available in an unelectrified home.

This project, called Light for Education, or LFE, was launched by SELCO Solar Light, a Bangalore social enterprise that specialises in solar lighting solutions. The equipment was designed by SELCO and Innovlite, a Bangalore-based LED light manufacturer. Since its inception in 1995, SELCO has lit 120,000 homes and 2,000 institutions, benefiting over half a million people.

Piloted last year, LFE grew to cover 150 students in three schools in June, and now reaches 1,600 students in 40 schools across Karnataka. The experience of the Government High School in Kyasamballi village, 100 km from Bangalore, indicates the response to the project. On November 4, forty lights were provided to the school's students, and others immediately expressed interest. "We have now sought 70 more lights," says headmistress Sasikala M.K. The school has 900 students, so she says there could be further demand.

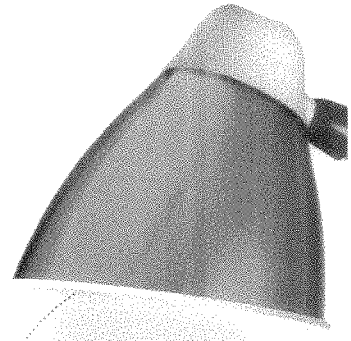
SELCO plans to make the most of the momentum. "At least 10 donor organisations are interested in supporting such programmes. We already have nearly 10 donors, and the bulk of funds has come from Menda Charitable Trust, founded by Arjun Menda, Chairman, RMZ Group," says Ananth Aravamudam, Senior Technical Manager at SELCO Labs, the division that drives the company's innovation efforts. RMZ is a Bangalore-based real estate group.

At present, the base cost per student works out to around ₹1,500. Schools with LFE programmes pay 20 to 25 per cent of the cost of the project. SELCO arranges the balance through donations or soft funding. Maintenance from the second year on is provided for by school. SELCO recommends that schools collect ₹150 a year from each student as a usage fee from the second year, to cover possible maintenance expenses. The goal is to make LFE programmes financially self-sustaining as far as possible.

Aravamudam says 2,500 students in 55 schools are willing to pay ₹200 a year for maintenance (from the second year) to cover servicing and repairs of solar panels and batteries. Other people are also expressing interest.

SELCO is not alone in taking solar solutions to underprivileged and rural communities. Since 2007, The Energy and Resources Institute, or TERI, has distributed 44,170 lanterns across 16 states, covering 2.2 million people. TERI partners with local entrepreneurs and villagers. The local entrepreneur pays for a charging station and rents out lanterns to villagers. There are also about a dozen branded solar retail players in India, but SELCO's is the only school-centred model.

H. Harish Hande, co-founder and Managing Director of SELCO, and winner of this year's Ramon Magsaysay Award, is aiming for scale in six months. He hopes that by 2013, SELCO will be adding a school a day, and will inspire 30 to 40 other enterprises to replicate the model in other states. The effort may result a high attendance at schools. For, if a child skips school, the LED lamp batteries remain uncharged and it means darkness at home that night. ◆



HOW IT WORKS

- A Light for Education project consists of a centralised solar charging system, pocket-sized batteries and LED study lamps
- The solar-charging system is installed in school
- Each student gets a lamp and detachable battery
- The lamps remain at home, where children study at night
- Children take the batteries to school daily to charge them. At the end of the day, they take the charged batteries back home
- A fully charged battery lights a lamp for three hours

No Kidding

Little luxuries: Prices start at ₹4,000 at Les Petits in Delhi, which sells labels such as Baby Dior and Fendi Kids

PHOTOGRAPHS BY VIVAN MEHRA/www.indiatodayimages.com

The children's wear industry, estimated at around ₹38,000 crore and growing rapidly, is serious business. By ANUMEHA CHATURVEDI

Kashish Sanan Gupta, a Delhi businesswoman who runs a Subway franchise, was desperately looking for the perfect birthday dress for her five-year-old, Karisa, in January this year. Outlets that sold even leading children's wear brands did not have the sort of day dress she wanted. "Some local brands had dresses, but they were too gaudy," she says. She finally found what she was looking for at a new store in the swish DLF Promenade Mall in Vasant Kunj, South Delhi. The store, called Kidology, had a sale on, and Gupta bought her daughter a sea-green dress designed by Gauri & Nainika for ₹5,000.

Friends and business partners Karina Rajpal, Ankur Mittal, Neha Sachar Mittal, and Maya Nocon launched Kidology because, as Ankur, a former investment banker, puts it, "Indian designer wear and affordable luxury for kids were non-existent categories in India." The store sells Indian and western wear designed by the likes of Malini Ramani and Ritu Kumar, for children up to 10 years old. Children's outfits priced at ₹12,000 may sound steep, but the partners say there are takers at that price.

> Business is booming, thanks to rising family incomes, peer pressure, global retail formats and exposure to brands

There is quite a crowd on the kids' wear bandwagon, and segmentation has stretched in the past year to include luxury. While Big Bazaar is among those that cater to the mass segment, Gini & Jony and Lilliput operate in the medium category.

Homegrown brand Lilliput Kidswear, which started in 2003, has the early mover advantage, with 261 exclusive outlets and 541 shop-in-shops in the country. Incidentally, the company is embroiled in a court battle with private equity investors Bain Capital and TPG Growth, who say Lilliput founder Sanjiv Narula fudged accounts.

In the luxury segment, Kidology has competition from Les Petits – French for "little ones" – the country's first multi-brand luxury store for children, which retails brands such as Baby Dior, Fendi Kids and Miss Blumarine. Prices at Les Petits start at ₹4,000. The store, started by Swati Saraf and her businessman husband Siddarth Saraf, promoter of Ferro Alloys Corporation or FACOR, opened its doors at Delhi's DLF Emporio luxury mall in November this year. "People view their children as extensions of

Thinking small: Kidology founders (from left) Neha Sachar Mittal, Ankur Mittal, Maya Nocon and Karina Rajpal

themselves," says Swati. "When they take them out, they want them dressed like themselves. We felt India lacked luxury for children."

Global brands are here, too. Gucci, Tommy Hilfiger and Chicco, among others, have been selling their kids' wear in India for about a year. Chicco India, which sells premium apparel, prams and travel gear for children, is a fully owned subsidiary of Artsana, a €1.4-billion Italian maker of health and wellness products.

"An increase in the number of double-income families, peer pressure, global retail formats, and awareness of international brands are key drivers for the growth of this market," says Amit Gugnani, Vice President, Apparel Operations, at consultancy firm Technopak.

The Associated Chambers of Commerce and Industry estimates that the industry is worth ₹38,000 crore, and growing at a compound annual rate of about 20 per cent to reach ₹80,000 crore by 2015.

Kidology's same-store sales – a retail industry metric to distinguish a rise in sales within a store from an overall increase in sales due to the opening of new stores – have grown more than 40 per cent in the past year. Besides its own stores in Delhi and Mumbai, Kidology also sells through other retail outlets in Mumbai and Hyderabad. It is in talks with private equity funds, and plans new stores in Chandigarh, Ludhiana and elsewhere.

"Competition is definitely increasing, and consumers are becoming brand-conscious," says Anil Lakhani, Executive Director, Gini & Jony. The 31-year-old brand, which sells through 230 exclusive stores besides other outlets, is growing at a compound annual rate of 33 per cent.

Indian children have never been more spoiled for choice. ◆

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Brands: Giny & Jony, Lilliput Kidswear

ECONOMY
₹250-500
Brands: Big Bazaar, V Mart

LOW
Up to ₹250
Brands: Unbranded

Source: Technopak

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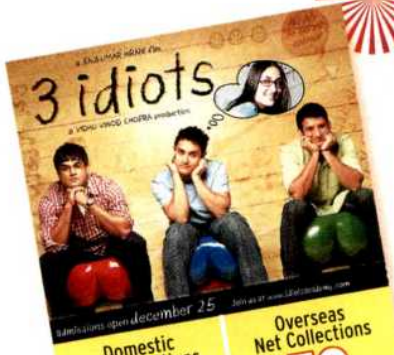
Lady Luck

With four mega successes in two years, Kareena Kapoor surges ahead of all other Bollywood performers.

By ANUSHA SUBRAMANIAN and ANAND J



Domestic Net Collections	Overseas Net Collections
170	50
Satellite, Music, Digital	**Total**
55	275

Domestic Net Collections	Overseas Net Collections
108	20
Satellite, Music, Digital	**Total**
30	158

Domestic Net Collections	Overseas Net Collections
141	40
Satellite, Music, Digital	**Total**
40	221

Domestic Net Collections	Overseas Net Collections
118	65
Satellite, Music, Digital	**Total**
45	228

CONQUERING QUEEN

The four ₹100 crore-plus grossers that put Kareena Kapoor in a league of her own

Figures in ₹ crore; Source: BoxOfficeIndia.com

"*Main apni favourite hoon* (I'm my own favourite)," says the character played by Kareena Kapoor in the 2007 hit film *Jab We Met*. It was her performance in this film, impressing critics and the box office alike, that made her a frontrunner for the No. 1 actress spot in Bollywood. And today, she is not only her own favourite, but also the country's, having starred, in the last two years, in four films which grossed over ₹100 crore at the domestic box office, a feat no other performer, male or female, has achieved.

When the film *Ra.One*'s domestic collections hit ₹100 crore recently, a delighted producer-cum-leading man, Shah Rukh Khan, in a grand gesture, gifted BMWs to some key members of cast and crew. But the same achievement was the culmination of Kapoor's triumph as well. It started with *3 idiots*, released on Christmas Day, 2009, which earned ₹170 crore locally (see *Conquering Queen*), continued with *Golmaal 3*, which hit the screens in November 2010, mopping up ₹108 crore on the domestic circuit, went further with *Bodyguard*, which opened in August this year and collected ₹141 crore in India, to complete its run with *Ra.One*, released in October.

The three big Khans currently dominating

Interview:
Kareena Kapoor
Bollywood Actress pg 110

Dancing diva: Kareena Kapoor in *Ra.One*

Bollywood – Shah Rukh, Salman and Aamir – have had their successes too during this period, but none of them can match this achievement. Among actresses, Kareena's biggest current rival Katrina Kaif came close to the ₹100 crore mark twice, with *Zindagi Na Milegi Dobara*, released this year, collecting ₹90 crore from the domestic box office, and *Rajneeti* last year bringing in ₹93 crore. But her run went no further. Indeed, Kapoor's record is all the more remarkable considering that the last time an actress had three big hits in a similar time span was 1975/76, when Hema Malini scored with *Sholay*, *Dus Numbri* and *Sanyasi*.

"It's great. I'm aware of it because everyone has been talking about it," says Kapoor. *Business Today* met her on the sets of Madhur Bhandarkar's *Heroine*, for which she is shooting at Mumbai's Film City. "I'm lucky to have got all these different genres to work on one after the other. *3 idiots* still stands to be the big film because it relied heavily on Indian emotions and was youth-oriented. *Bodyguard* was different. *Golmaal 3* was a comedy while *Ra.One* was a totally VFX and gimmicky kind of film," she adds.

Kapoor's film career started in 2000 with J.P. Dutta's *Refugee*. Milestones along the way include *Asoka* the following year and *Chameli* in 2004, both of which, though box office failures, established her acting credentials, while *Omkara* in 2006, and *Jab We Met* – relatively small films which made sizeable profits – showed she was both a fine

actress and a commercially bankable star. Alongside there were also the big budget successes like *Kabhi Khushi, Kabhie Gham* and *Golmaal Returns* which reinforced Kapoor's commercial credentials. "She chose the right movies that were released at the right time," says film critic and trade watcher, Taran Adarsh.

Those who have worked closely with Kapoor have only praise for her. "She had lots of attitude and delivered a good performance," says Santosh Sivan, who directed *Asoka*. Siddhartha Roy Kapur, CEO, UTV Motion Pictures, which is co-producing *Heroine*, vouches for her professionalism. "Once Kareena commits herself, she completes her work without a hitch," he says. An advertising industry insider lauds her punctuality and lack of starry airs, qualities celebrities are not usually associated with. "She always reaches half an hour before the scheduled start of a shoot," he says.

The advertiser's comment points to another feature of Kapoor's success: she is also the darling of the advertising industry. She currently endorses 15 leading brands, including Airtel, Hindustan Unilever, Sony and ITC, selling products ranging from laptops to shoes to telecom services. Among celebrity endorsers, however, she ranks third – after Shah Rukh and Kaif – according to Television Audience Measurement, or TAM, celebrity endorsement data. Even the likes of cricketers Mahendra Singh Dhoni and Sachin Tendulkar rank below her. Besides, TAM data shows, the percentage share per ad volume of both Kapoor and Kaif, during the first nine months of this year, was the same at five per cent: both had the same number of seconds on air in advertisements.

"Lots of brands have approached me, but I'm choosy," says Kapoor. "I like to endorse brands that will fit my personality." She will never, for instance, endorse a McDonald's or a Venky's Chicken or any other non-vegetarian products, being a vegetarian herself. In at least one case, the manufacturer admits, Kapoor's endorsement made all the difference to the product: the Sony range of Vaio laptops. Sony cleverly used the label the gossip press had foisted on Kapoor – she was called 'Size Zero' because of her ultra-slim figure – to full advantage by naming these products 'Size Zero' laptops. "Her stylish and vibrant personality matched seamlessly with our brand," says Tadato Kimura, General Manager, Marketing, Sony India. He reveals that since Sony signed up Kapoor in November 2009, sales of Vaio laptops have trebled. "The slim laptops and size zero became a topic of conversation nationally," says Kapoor, smiling.

There is no looking back for Kapoor, who even had a wax statue of hers unveiled at Madame Tussauds in London in October. She has a host of major movie productions on hand, including *Heroine, Agent Vinod, Talaash* and *Ek Main Aur Ek Tu*. If her commercial success continues, there will be no dearth of endorsements either. ◆

RICH PICKINGS

What stars charge per brand per year

Figures in ₹ crore
Source: Industry Estimates

THE ₹100 CRORE CLUB

Salman Khan	Ajay Devgn	Aamir Khan	Shah Rukh Khan	Kareena Kapoor
Dabangg, Ready, Bodyguard	*Golmaal 3, Singham*	*3 idiots*	*Ra.One*	*Bodyguard, Golmaal 3, 3 idiots, Ra.One*

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- Lion Dance
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  c) Chinese Quartet;
  d) Magic Show;
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"I Have the Best of the Brands and the Best of the Films"

Unpretentious, vibrant, **KAREENA KAPOOR**, *granddaughter of the legendary Raj Kapoor, has built her own reputation in Hindi cinema. She spoke to* **ANUSHA SUBRAMANIAN** *on the sets of Madhur Bhandarkar's film* Heroine. *Edited excerpts:*

Enjoying her work: Kareena Kapoor in *Bodyguard*

Does the success you have had lately put pressure on you? Do people expect more from you now?

Obviously there is lot of pressure because everybody expects all my movies to gross ₹100 crore-plus. But honestly every film cannot do that. *3 idiots* was made for about ₹25 crore and went on to do very good business that was never initially expected. *Ra.One* and *Bodyguard* were big budget films. They were made and marketed in a way that would bring in huge box office revenues. That does not mean I'm going to pressure my directors or producers, saying this is what is expected of me so let's plan the film in a way that we can make big monies. I would just like to do films where I enjoy my work.

After your run of successes, are you being bombarded with offers for brand endorsements?

Yes, lots of brands have approached me but I am choosy as I have to believe in what I endorse. I like to endorse brands that suit my personality. I know what I want and have lived my life exactly the way I wanted to, which is very different from an actor's life. So far I have been lucky with the brands I endorse because the companies have been very loyal to me.

Give us an example of a brand that goes well with your personality.

Sony Vaio is the example I would cite. Sony Vaio has done a lot for me as well. I can say that I am the only actress who is endorsing a brand like Sony internationally. The size zero laptop which Sony launched after me became a topic of discussion nationally. Today, even the parliamentarians know what size zero is. All this helped the brand as well as me.

What are the three things you consider before endorsing a brand?

It should be something I have not done before, it should match my personality. Lastly, of course the money should be good. But I will not endorse alcohol brands and anything that is a non-vegetarian food brand since I am a vegetarian.

What kind of films do you like watching?

I mostly watch English movies. I like watching Meryl Streep's work like *The Bridges of Madison County*. I, of course, liked *The Godfather*.

How do you see your career right now?

I think I am at a stage where I have the best of the brands and the best of the films. And this is clearly because of the way I carry myself and the fact that I give my 100 per cent to whatever I am doing. ◆

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Daddy Cool

Executive Summary: *Godrej Appliances, started in 1958, dominated the consumer durables market for decades, especially in refrigerators. But gradually it grew complacent and lost touch with its customers. Liberalisation and the entry of foreign players saw its market share in the segment drop by half. This case study describes how the company reacted to the situation, re-branded its products, and fought its way back.*

By MANU KAUSHIK

Happening brand: Customers check out Godrej appliances at a Delhi store

SHEKHAR GHOSH/www.indiatodayimages.com

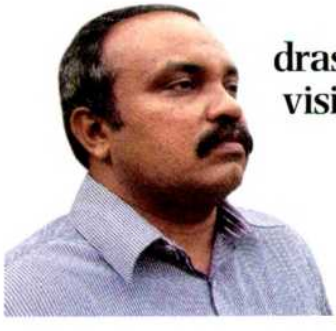
The findings of a series of market surveys stunned the top management of Godrej Appliances, one of the leading companies of the Godrej group. They said the company and its products were not connecting with young people. The average age of its customers was 35 to 45 years – a serious impediment in a country with 45 per cent of its population below 25. Worse, they claimed, it was not even perceived as a technology brand – the market did not think its products incorporated the latest advances in technology.

The year was 2005. The surveys had been commissioned to figure out why Godrej Appliances was losing market share. No doubt competition had stiffened following liberalisation and the entry of aggressive foreign players, especially Korean brands like LG and Samsung, and the Japanese like Akai and Aiwa. But Godrej executives had never imagined that such a yawning gap had grown between

GOOD, BUT NOT ENOUGH

Godrej is a successful example of an Indian company which got over its complacency over past successes and navigated the new marketing minefield. The new economy and the new competition have created a new customer. One who has many choices, one who looks beyond just the functionality to aesthetics, and beyond just durability to brand value. Nobody now buys a refrigerator for lifetime use. The product differences are easily imitated. Even the sales people are not able to understand and explain the technology buzzwords. It is not that customers do not care, they realise the products of different brands are more similar than the brands admit, and complex rational evaluation of minor technology differences are beyond them. Buying is more perceptual, with shorter horizons, and aesthetics, image and emotional connect all play a role. Godrej attempted repositioning to appear younger, sophisticated and aesthetically pleasing so as to appeal to younger buyers. It has expanded the product mix, and invested in research. But are these enough to carry on against multinational rivals with deep pockets? It is a good beginning, but in the days of hypercompetition and marketing wars of attrition, Godrej cannot rest on short-term wins.

It is important to be perceived as a technology leader; but to compete on this alone against Samsung, LG and others seems to me a risky strategy. Godrej must drastically improve its visibility and scale up penetration at retail counters. Investment in sales and service channels and relationship marketing efforts must not play second fiddle to aggressive brand building. Marketing wars are not won from boardrooms by brand strategists, but by a focused and persistent field force.



"Godrej must drastically improve its visibility and scale up penetration at retail counters"

ANANDAKUTTAN B. UNNITHAN,
Professor of Marketing,
IIM-Kozhikode

perception and reality. "There was little or no difference in terms of technology between us and the foreign players," says Ramesh Chembath, Assistant Vice President, Marketing, Godrej Appliances. "Yet the youth considered us a mom-and-pop brand."

Founded in 1958, Godrej Appliances had been the largest and most popular consumer durables company in the country. For many years it sold only a range of refrigerators, but added washing machines to its product line in 1996. Though market share in refrigerators hovered around 27 per cent – there were rivals even then, indigenous ones like Kelvinator, Videocon, Whirlpool and Voltas – Godrej was always among the top three players. "Demand used to outstrip supply by a large margin even though our Mumbai factory ran to full capacity," says Chembath. For many years, customers had to put up with a waiting period of 30 to 45 days.

While matching Godrej in the quality of their products, the new foreign players also employed advertising blitzkriegs, attractive packaging and aggressive pricing strategies to push sales. "At one point, Godrej's products were priced 15 per cent higher than similar products offered by foreign players," says Chembath. Slowly, Godrej's market share began to fall. The management remained complacent, calling it a temporary blip, unable to believe that customers would abandon a brand they had trusted for generations in favour of relatively new and unknown brands. It also drew comfort from the fact that LG's first foray into India – in 1993, then sporting its original name, Lucky Goldstar – had been a failure. But LG's second coming, in 1997, proved to be completely different. By 2000, Godrej refrigerators' market share had fallen by half – to 13 per cent.

An alarmed Godrej management's first few attempts to turn the tide ended in failure. It introduced some innovative technologies like 'Penta

A front loading washing machine was launched in 2010 with an upward facing tilted drum so that the user does not have to sit while loading or unloading clothes

The Eon brand has been very successful, contributing 30 per cent of the company's total revenues, even though it costs five to 30 per cent more than rival brands

Cool' in refrigerators – which provided cooling from five sides, unlike others those days whose cooling came only from the back of the refrigerator – but failed to arrest the decline. To shore up its overall market share in consumer durables – and also address a long-standing complaint of dealers that Godrej Appliances' portfolio of just refrigerators and washing machines was too limited – the company began selling air conditioners from 2004 and microwave ovens from 2005. "The idea was to muscle out the foreign brands in market share, deepen our engagement with customers and get an upper hand in trade negotiations with channel partners who wanted to sell a full bouquet of our products," says Chembath. But neither of the two new products made any impact. Even at the height of the crisis, still, Godrej refrained from cutting prices to match those of its foreign competitors. "Slashing prices was an option, but we realised it could not be a long-term solution," he adds.

So what did Godrej Appliances finally do? It set about overcoming the two drawbacks the surveys had pinpointed: the misconception about its technology use and its lack of youth connect. From 'Penta Cool' it moved on to introduce the 'cool shower technology' in its high-end refrigerators, that took into account the Indian habit of overstuffing them. While most rivals provided five to 10 cooling vents, depending upon the refrigerator's size, Godrej added several more, providing extra cooling which prolonged the shelf life of perishable food items.

Similarly, in 2008, it launched washing machines with built-in intelligence which enabled them to temporarily stop working – going into 'sleep' mode – as soon as water or power supply was interrupted, only to resume functioning, from the point at which it had stopped, once the supply returned. For Indian consumers, plagued with

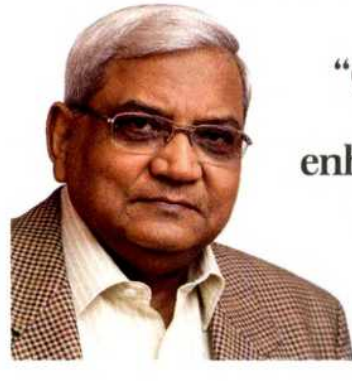
STILL MAKING MISTAKES

The company – as well as the brand Godrej – has been historically associated with refrigerators and steel furniture in the durables space. Its position as leader in this segment remained unchallenged till the early 1990s as it competed in a sellers' market. It was also known for its good policies and ethics, and was well respected by the trade as well as by consumers. Its products were recognised as being of good quality, though it carried out very little innovation either in products or technology or marketing.

When competition surfaced in the 1990s, Godrej reacted rather strangely. It focused on product portfolio enhancement rather than innovation. Instead of focusing on its core strength of refrigerators, it entered domains like washing machines, where entry barriers were huge with established brands like Videocon, BPL, Whirlpool, Samsung competing fiercely in a small though growing market. This made them lose focus. This approach has made leadership even in its focus area of refrigerators practically impossible.

Its strategy of sub-brands should have been deployed along with a lot of aligned tactics, as this would have helped it gain market position, taking it to at least in the top three. Its idea of tackling the bottom of the pyramid is good but does it have a winning formula of balanced price to performance? Does it really have its ear to the ground?

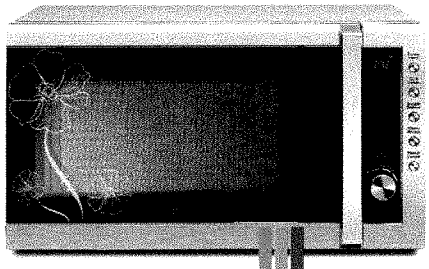
The best leads can come from the users of its products and its loyal dealers. In my view Godrej should desist from entry/growth in the consumer electronics market. This is a complex and crowded area and it could get badly hurt, while chances of success are almost non-existent.



"Godrej focused on product portfolio enhancement rather than innovation"

NABANKUR GUPTA,
Co-founder, Blue Ocean Capital and Advisory Services, and former Executive Director, Videocon

CASE STUDY Godrej Appliances



In the past five years, Godrej Appliances has posted a compound annual growth rate of 35 per cent. It began selling microwave ovens in 2005, and now has a range of them

THE PROBLEM

Despite the strong brand name, people were turning away from the company's products

THE CHALLENGE

The market had turned competitive and Godrej could not connect with young buyers

THE WAY OUT

Introduce better technology, more products, re-brand products to appeal to the youth

THE SUCCESS

Acquired a youthful tech image, recaptured significant market share in refrigerators

taps suddenly running dry or power unexpectedly going off, this was a huge convenience.

In 2010, it came up with a fully automatic front-loading washing machine with an upward facing tilted drum so that the user does not have to sit down while loading or unloading the clothes being washed. Again, in 2006, it was the first to introduce an air conditioner, or AC, with a compressor that ran at different speeds depending on room temperature, thereby reducing power consumption by about 30 per cent compared to other products, where compressors run at a single speed.

To woo the youth, Godrej turned to design specialists to suggest shapes and colours that would make their products look sleek and appealing. "We emphasised making our products look contemporary," says Kamal Nandi, Vice President, Marketing and Sales, Godrej Appliances. "We gave our brand a sheen of technology by telling consumers about the presence of other Godrej companies in high-tech areas such as aerospace and industrial equipment manufacturing."

To address the market better, Godrej Appliances also began differentiating its product offering, providing different models for different socio economic groups. The high-end 'cool shower technology' refrigerators were given the label Eon. For the mid-market segment Godrej launched the brands Edge and Axis, while for the cost conscious mass market, it had Neo. In the months that followed, it did the same with its ACs, washing machines and microwave ovens. "We identified a specific need for each category and products were developed around these needs," says George Menezes, Chief Operating Officer, Godrej Appliances.

Despite the crowded consumer durables field, the strategy is working. From the nadir of 13 per cent market share in refrigerators, Godrej has climbed to 17.2 per cent for the 12-month period ending September this year, despite the entry of three new multinational players – Sharp, Panasonic and Hitachi – in the last four years. The Eon brand has been particularly successful, even though it costs five to 30 per cent more than similar products of rival brands, and contributes roughly 30 per cent of the company's total revenues. "That is why our media advertisements are focused only on the Eon brand," says Menezes. However, Godrej is still behind refrigerator market leader LG with 36.7 per cent share.

In washing machines, Godrej's market share has jumped from six per cent in 2008 to 11 per cent this year. In ACs, Godrej's share is the fastest growing, having risen from 3.5 per cent in 2005 to seven per cent now. Overall, in the past five years, Godrej Appliances has posted a compound annual growth rate of 35 per cent, much higher than the 17 per cent growth rate of consumer durables industry. It hopes to close the current financial year with a market share of 6.9 per cent in the consumer durables category and revenues of ₹2,400 crore – up from ₹600 crore in 2006/07. This puts it in fifth position in the sector behind market leader LG, with 30 per cent share, followed by Samsung, Videocon and Whirlpool. The pinnacle may still be some distance away, but the progress made is significant. Equally important, Godrej Appliances's average customer is now in the 25 to 35 age bracket.

Within the company the emphasis is now on product expansion and innovation, with a 100-member multi-generation product planning team having been set up for this purpose. "We are spending close to five per cent of our annual turnover on research and product development activities," says Nandi. Godrej added around 100 new stock keeping units – or innovations under various categories – to its portfolio in 2010. ◆

Can Godrej Appliances ever reclaim market leadership? Read what our experts have to say. Write to us btcasestudies@intoday.com. Your views will be published in our online edition.

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SANTOSH

Shares on the House

A bonus issue is usually good for the stock, but not always. By RAHUL OBEROI

A bonus is always welcome. So is a bonus share issue. Giving bonus shares is one of the ways companies reward investors without disturbing their cash balances. "One way of rewarding shareholders is to give dividends. Another is by giving bonus shares and capitalising reserves," says Sanjiv Bajaj, Managing Director, Bajaj Capital.

Does a bonus issue benefits investors? Data collected over a 10-year period shows that in most cases, the stock price of a company rises after a bonus issue. Our analysis is split into two parts: first, the movement in share price from the time the issue is announced till the record date – the date by which the company finalises the list of those eligible for bonus shares; and second, one year after the record date. Of the top 30 companies, which an-

Joining the Party Share prices of most companies rise after a bonus issue announcement

COMPANY	ANNOUNCEMENT	SHARE PRICE (₹)	RECORD DATE	PRICE (₹)	% CHANGE	PRICE (After 1 Yr)	% CHANGE
Oil & Natural Gas Corpn.	26 Jul'06	189.7	30 Oct'06	201.4	6.2	304.5	51.2
Tata Consultancy Services	21 Apr'09	275.4	17 Jun'09	434.1	57.6	775.3	78.6
Larsen & Tourbo	29 May'08	1,441.1	3 Oct'08	966.5	-32.9	1,654.5	71.2
HDFC	17 Oct'02	61.9	16 Dec'02	75.4	21.8	124.2	64.7
Mahindra & Mahindra	09 Jun'05	133.2	2 Sep'05	181.2	36.0	329.6	81.9
Ranbaxy Laboratories	13 Aug'02	278.3	1 Oct'02	281.3	1.1	480.5	70.8
Adani Enterprises	26 Oct'09	345.8	11 Dec'09	426.1	23.2	635.7	49.2

Source: Ace Equity

nounced bonus issues between January 2001 and July 2010, the share prices of 21 had risen by the record date. (See *Joining the Party* for some of these companies.)

What are bonus shares

Bonus shares are shares given away to existing stockholders in proportion to the number of shares they hold. A 1:1 bonus means that a shareholder gets one share for each share held by him, without paying anything extra. If someone holds 10 shares, he gets 10 more. A 2:1 bonus means he gets twice as many shares as he already possesses.

However, after the bonus issue, the share price of the company usually gets adjusted according to the bonus ratio. For example, if the price before bonus is ₹200 and a company issues bonus shares in the ratio of 1:1, the post-bonus share price will be ₹100, which means that the total market value (2 x ₹100 = ₹200) remains the same.

To give bonus shares to investors, companies build reserves by retaining a part of their profit over the years – the part that is not paid as dividend. When these reserves increase, they transfer a part of the money into the capital account, from which they issue bonus shares.

Only fully paid-up shares are eligible for bonus. "The purpose of issuing bonus shares is to increase liquidity in the stock and hand out the available distributable net worth in a cash-neutral manner," says Sudip Bandyopadhyay, Managing Director and CEO, Destimoney Securities.

To take just three examples, during a one year period from the record date after they issued bonus shares, the adjusted stock price of Mahindra & Mahindra surged 82 per cent to ₹330; that of Tata Consultancy Services by 79 per cent to ₹775; and that of Larsen & Toubro by 71 per cent to ₹1,654. In contrast, however, a few companies like HCL Technologies, Reliance Industries and Dabur India lost value in the year that followed a bonus share issue. (See *Party Poopers*.)

39
Number of companies which announced bonus issues between January and October 2011

Impact on price

Mehul Ashar, President-head, Wealth Management, Inventure Growth and Securities, says: "A bonus issue is generally perceived to be positive by investors and creates more demand for the stock. If in the following year, the company increases its earnings and maintains the earning per share at levels estimated by the management, the stock will give good returns."

After the bonus issue, the number of shares outstanding increases (in the same ratio the bonus shares were issued), and the earning per share, or EPS, falls to the same extent. "Mostly,

Party Poopers For a few companies, issuing bonus shares did no good

COMPANY	ANNOUNCEMENT	SHARE PRICE	RECORD DATE	PRICE (Rs)	% CHANGE	PRICE (After 1 Yr)	% CHANGE
HCL Technologies	14 Dec'06	**312.4**	16 Mar'07	298.9	-4.3	**240.3**	**-19.6**
Siemens	22 Nov'07	**963.3**	3 Mar'08	756.9	-21.4	**205.3**	**-72.9**
Dr Reddy's Laboratories	31 May'06	**678.6**	28 Aug'06	714.2	5.2	**634.3**	**-11.2**
Reliance Industries	7 Oct'09	**1,050.7**	27 Nov'09	1,046.0	-0.4	**962.4**	**-8.0**
Sterlite Industries (India)	26 Apr'10	**210.7**	21 Jun'10	182.9	-13.2	**153.7**	**-16.0**
Dabur India	31 Oct'06	**51.0**	29 Jan'07	51.0	0.2	**50.4**	**-1.3**
Wipro	23 Apr'10	**415.1**	16 Jun'10	408.8	-1.5	**416.1**	**1.8**

Source: Ace Equity

healthy companies go for bonus issues. There is a high chance of the stock price rising in the couple of quarters after the record date," says Prakash Diwan, Head-Institutional Clients group, Asit C. Mehta Investment. The most common reason for issuing bonus shares is that the share price has become high and is affecting demand. "A company issues bonus shares when it has bright prospects and does not mind diluting capital," says Kaushik Dani, head-equity, Peerless MF. "It increases liquidity and retail participation."

Not all are lucky

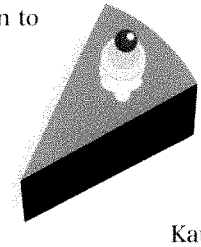
Then why did the companies whose share prices suffered after a bonus issue not follow the same trend? Alex Mathews, Research Head, Geojit BNP Paribas Financial Services, disagrees with the general view that bonus issues do all companies good. "The announcement of bonus shares has no affect on share price," he says. "After the announcement, the stock can move in either direction depending on market sentiment." Pankaj Pandey, Head, Research, ICICI Direct, feels the same. "Market sentiments give direction to stocks. However, bonus shares help increase liquidity in the stock," he says.

But they are the exceptions. Recently, Ashok Leyland, Titan Industries and Bhuwalka Steel Industries offered bonus shares to investors, resulting in a rise in prices, the prices spiking around two, nine and 10 per cent, respectively.

However, if you plan to buy shares of a company just because it is going to announce a bonus issue, hold on.

Shares should never be bought purely on the basis of expected bonus shares. The fundamentals of the company should first be ascertained. "A bonus issue is a sign the company is expanding equity and increasing liquidity, but it is not the only indicator of performance," says Rajesh Jain, Executive Vice President and Head of Retail Research, Religare Securities. "Investors should take a decision after analysing the fundamentals." Kaushik Dani of Peerless MF agrees. "Bonus shares lead to adjustment in the share price according to the proportion of dilution," he says. "So, the price may come down in the immediate term. However, in the long run, the share price depends on the fundamentals and growth prospects of the company." You should always study the company before taking a call on investing in one that has announced or is considering issuing bonus shares, or walk across to an advisor to know more.◆

Courtesy: *Money Today*



SHARE LINGO SIMPLIFIED

EX-BONUS

It means after the record date. It is the date on which the share price is adjusted on stock exchanges according to the bonus ratio

RECORD DATE

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LAST BUT NOT LEAST

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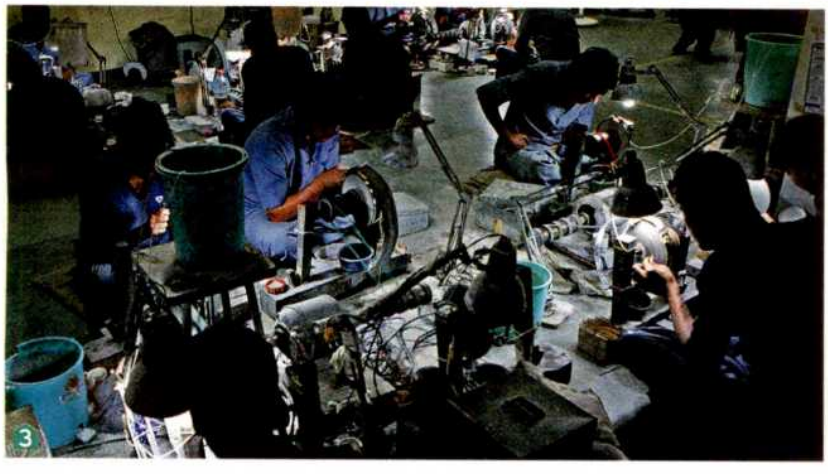
Stone age: A buyer shows off her giant emerald ring at the auction in Jaipur

Romancing the Stone

The Jaipur auction ensures this global polishing centre gets a regular supply of emeralds, says Manasi Mithel

PHOTOGRAPHS by SHEKHAR GHOSH



1. Raw feed: Rough emeralds from Gemfields mine in Zambia
2. What's on the plate: Cabochon gemstones in a petri-dish at a workshop
3. On the job: Gem cutters polish rough emeralds at a Jaipur workshop
4. Close look: A big emerald chunk being examined

It happened 20 years ago, but the memory is still fresh for Sanjay Kasliwal, owner of Gem Palace, one of Jaipur's best known jewellery stores. The late Princess Diana visited his shop and was fascinated by an emerald necklace his craftsmen had made. "She said: 'I'm an emerald girl'," says Kasliwal. "She never bought the piece but I still remember the way she kept looking at it."

There are hardly any emerald mines in India. Most of these gemstones – comprising the mineral beryl, usually coloured green because of traces of chromium and vanadium in them – come to India from Zambia or Brazil. Yet Jaipur is to emeralds what Surat is to diamonds: most of the world's gemstone cutting and polishing happens in Jaipur. Overall, around nine of 12 rough emeralds from Zambia and Brazil are cut and polished in India.

"We have been in the jewellery business for four centuries," says Kasliwal. His forefathers were among the artisans and craftsmen the then Maharaja of Jaipur Sawai Jai Singh II invited to the city in 1728 to grow it as a trading centre – the step that would eventually make Jaipur a key global emerald polishing region.

Experts in the trade reveal that until as late as the 1940s, emeralds were just as prized – and as expensive – as diamonds. But the marketing blitzkrieg launched by the diamond mining companies, especially global leader De Beers, saw diamond

prices surge. "De Beers took the lead with marketing campaigns using smart lines like 'diamonds are a girl's best friend' and 'diamonds are forever'," says Dev Shetty, Chief Financial Officer, Gemfields, a leading global gemstone mining company. Both lines were taken from well known Hollywood movies of the time. "Marketing took diamonds to the next level," he adds.

In comparison, emerald mining and marketing remained low key and confined to pockets. In the last two years, however, companies like Gemfields and TanzaniteOne have realised the advantages of large scale gemstone mining. Gemfields explored 43 sq km of emerald mines in the last financial year. This is its third auction in Jaipur, having started in March 2010, but it plans to hold one every quarter in the city from now on. "The Indian market loves Zambian emeralds," says Shetty.

Samiullah, who uses only one name, has been in the business since 1975 and was the highest bidder at the emerald auctions held in Zambia between 1996 and 2006. He is often invited to be part of Gemfields bidding process. The November auction saw him seated in a cubicle amid sacks of rough emeralds, studying each one. "We check the colour, shape, size and clarity," he says. The rough emeralds are graded according to their size and quality and placed in different cubicles or tables for the bidders' inspection. Baby oil is rubbed on the surface of the stones to bring out their lustre better. Every stone has a reserve price.

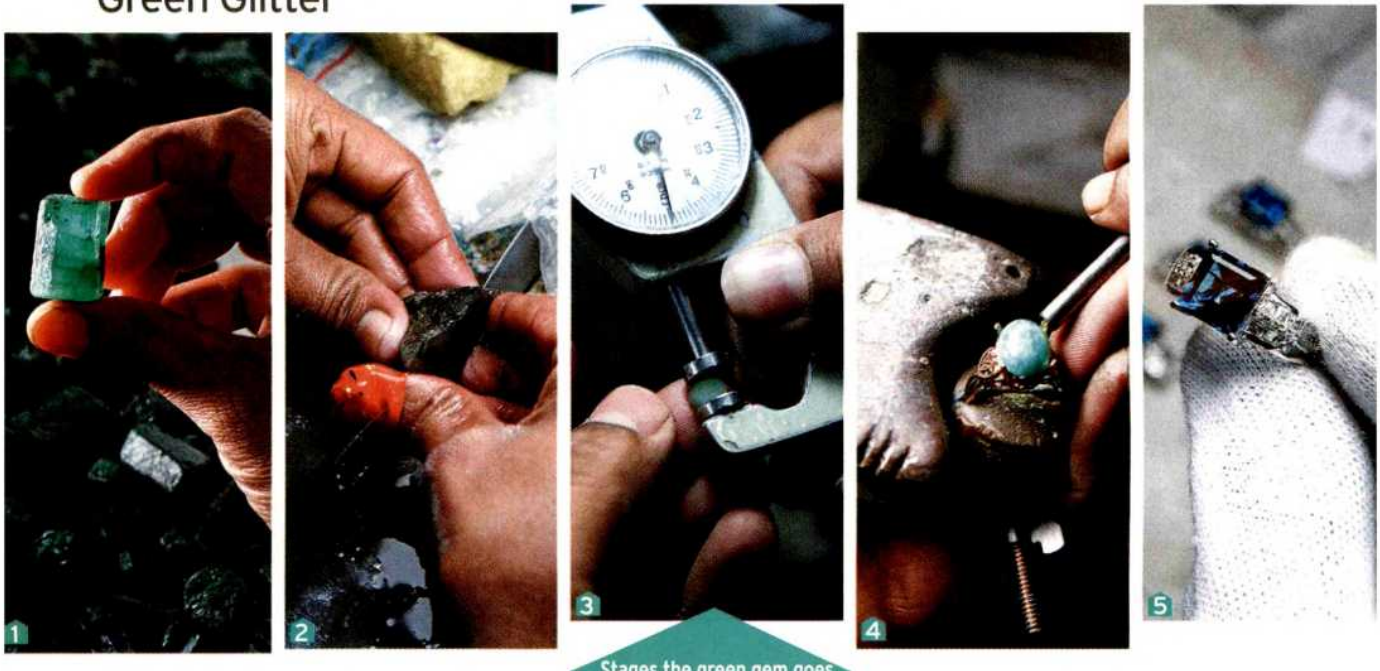
In this five-day-long auction, bidders usually spend the first two days studying the gems on offer, before slowing honing in on, and bidding for, the ones they want.

Unlike the diamond trade, which has Rapaport standard to determine prices, the emerald market is a free for all. Bidders have to simply rely on their eyes and past experience to judge emeralds they buy. Thus the importance of the auction, which also ensures Jaipur a regular emerald supply.

But obviously, Jaipur's gemstone merchants do not confine their buying to just the auction. Samiullah, for instance, frequently travels the globe, shopping for rough emeralds. But in the absence of fixed standards, the effort tests his negotiation skills each time. "On average, I travel a week every month but it is not physically possible to tap even the 2,500-plus markets in Africa," he says. "But auctions are so much easier to deal with.

Shetty of Gemfields estimates that 50 to 60 per cent of India's gemstone export, excluding diamonds, comprises emeralds. ◆

Green Glitter



Stages the green gem goes through before reaching the shop counter
1. Testing; 2. Cutting; 3. Measuring; 4. Setting; 5. Micro checking

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Bringing Up Father

Children are digital natives. Ergo, parents will have to adapt

Twenty years ago, when I was growing up, my parents' biggest worry was that I spent entire evenings watching television. I was constantly reminded of how lucky my generation was, because television was a luxury my parents did not enjoy in 1960s India. Parents, when I was young, dealt with the 'overdose of TV' problem in several ways, from totally denying their children access to the family TV set, to a more lenient approach, linking the extent of TV viewing permitted to how well – or otherwise – the children were doing at school.

Today as several of my friends become parents, they are facing a different challenge – one which, I believe, is much tougher and bigger than the one our parents did. Children born over the past decade in India – albeit among the middle classes – are digital natives.

Stories of two-year-olds perfectly at home operating iPads, or of kindergarten children surfing the Internet with ease are not uncommon. But here is the thing: the Net, unlike TV, is not a one-way medium. Neither is Internet access limited to a single device, as TV was. By the time children of today turn teenagers they probably know more about the Net than most of their parents. Whatever rules relating to Net usage their parents may set, they can always figure out workarounds.

I am not a parent, but the scale of the challenge is apparent to me after observing many young parents facing it. Not only is the Net a place where kids can engage in and sometimes do incredibly stupid things, it is also one where shady charaters and outright criminals lurk.

I had an interesting chat with Chuck Hollis, Chief Technology Officer at global hardware manufacturer EMC, who is a parent of three children himself. He said the best way to deal with the issue is to have a frank chat with your children. Restricting or banning access to the Net, he believed, was self-defeating. With almost every electronic gadget capable of connecting to the World Wide Web, banning the Net was almost impossible for a parent.

Instead of using draconian measures, parents should try and behave like parents. Just as parents teach their children the virtues of things like sharing and gifting, they should also give them essential life lessons about what to do and what not to do on the Net.

It is not about telling a pubescent teenage boy that he should not access pornography online. Rather it is about informing children of the dangers of things like 'sexting' – sending naked pictures of themselves to other people. It is about teaching children what to post and what not to post on social networks. That said, I do not believe most adults themselves have got the hang of this as yet.

Parents have the right to decide if and when their child should join Facebook. But once they allow the children to join, they should not spy on their Facebook activity. Still, a word or two of caution to their children face to face, will not hurt. At the same time, it is advisable not to post on the children's social media pages, you may end up embarrassing them terribly before their friends.

As we get more and more culturally connected to the digital world, it will continue to pose fresh challenges for parents. There are few right or wrong answers to these dilemmas. But of one thing I am fairly certain. Parental censorship is not the answer. ◆

Run, Chief, Run

Dearton Thomas Hector finds out what prompts business leaders to take part in marathons

"Every morning in Africa, a gazelle wakes up.
It knows it must outrun the fastest lion or it will be killed.
Every morning in Africa, a lion wakes up.
It knows it must run faster than the slowest gazelle, or it will starve.
It doesn't matter whether you're a lion or a gazelle.
When the sun comes up you'd better be running."

African Proverb

It is a quote often used by motivational speakers while addressing young executives. But lately an increasing number of business leaders have begun taking it literally as well. They too have started running as the sun comes up. Some are even taking part in marathons.

Anil Ambani, chief of the Anil Dhirubhai Ambani Group; Sanjay Kapoor, CEO, India and South Asia, Bharti Airtel; Natarajan Chandrasekaran, CEO and Managing Director, Tata Consultancy Services; Roshini Bakshi, Vice President, Walt Disney, India; Ajay Bijli, Chairman and Managing Director, PVR Cinemas; and Ajay Kaul, CEO, Jubilant Foodworks, are only the best known among a sizeable number of honchos spotted running in marathons.

ON D-DAY

DO

- Warm up before the run
- Drink lots of fluids
- Bring along more than one pair of shoes
- Wear appropriate clothing
- Seek family support

DO NOT

- Overeat
- Wear worn out shoes
- Drink citric juices
- Sprint from the start
- Consume alcohol

What motivates them? Running a marathon is no joke – the Mumbai Marathon, eight of which have been held so far, makes for a gruelling 42 km in humid conditions. Even the 21 km Delhi Half Marathon – there have been seven to date, the last on November 27 – calls for enormous stamina. But those who run do not see it that way. "I really like the atmosphere during the Delhi Marathon," says Bijli. "The route is very relaxing."

Obviously, preparation is essential. Apart from his regular workout, Bijli runs 12 to 14 km on his treadmill every day for several weeks to train for the Delhi Half Marathon. Kaul runs for about 50 minutes daily. He maintains it has benefits beyond the purely physical. "This is the time when I think company strategies," he says. "Some of my best ideas come during my morning runs."

Doctors warn that running marathons without adequate training can be dangerous. The heart has to get used to pumping the large volumes of blood that circulate as a person runs. "It is also advisable to undergo a treadmill test before you start long distance running," says Dr S.K. Gupta, Senior Interventional Cardiologist, Apollo Hospitals.

For a few weeks before the event it is also important to have carbohydrate-rich meals as a great deal of energy is expended during a marathon run. "The process is called 'carb-loading'," says Aroon Arora, an International Sports Sciences Association-certified trainer. "Carbohydrate content in diet should increase starting from 60 per cent at first and reaching 90 per cent in the week before the marathon." ◆

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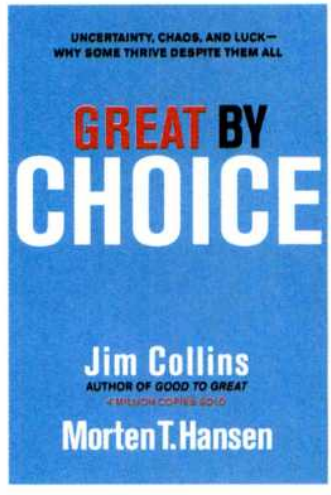
Science of Greatness

The book maintains discipline is as important for success as creativity, says Ganesh Natarajan

In an environment where the legend of Steve Jobs makes us believe everything he touched turned to gold instantaneously, it is interesting to read that when Jobs returned to Apple in 1997 after a dozen years in the wilderness, he first instilled discipline in finances and operations and got people focused on the ethic of "work all day and all of the night", with the firm belief that discipline was a prerequisite for creativity! Jim Collins and Morten T. Hansen write that Jobs "made the most of the Big Thing he already had" rather than immediately look for the Next Big Thing. The launch of PowerBooks and iMacs in this period of four years before the advent of the carefully researched iPod and iTunes is used by the authors to make the point that big successes are often the result of a "multi-step iterative process based more upon empirical validation than visionary genius".



Great by Choice
By Jim Collins and Morten T. Hansen
HarperCollins Publishers
Price: ₹799

The beauty of this book is its ability to make these telling points. In times like these when leadership has to suffer the daily onslaught of critics carried away by hubris about competition, as well as dark economic predictions, the book has many doses of researched strategy wisdom that are well worth reflecting on. The '10X' – the authors' label for 'exceptional' – cases Collins and Hansen have detailed, where companies have risen from initial positions of vulnerability in potentially harmful environments to sustain exceptional results for 15-plus years hold lessons for the corporate sector across the world. Dispelling myths about innovation holding the key to spectacular success and successful leaders being bold, risk seeking visionaries, the authors warn against radical change and excessive speed in decision making and suggest that it is not luck that makes 10X companies different but what they do with the luck that comes their way.

That said, the model advocated in *Great by Choice* is rather simplistic, stating that the highest level of ambition – what the authors call Level 5 – can be achieved through empirical creativity, productive paranoia and fanatical discipline. But the real reason to read this book is to examine the case studies, carry out independent research on companies that fall within one's industry sector and develop a strategy development and deployment model for the difficult times that all of us envisage. If in this process, one follows the mantra of John Brown at Styker that it is best to be "one fad behind" in launching new initiatives or products, or adheres to the well articulated process of piloting new initiatives by using a bullet – as an empirical test of what works as a low cost, low risk and low distraction alternative – to firing a cannon ball at the desired objective, there is much that will go right. CEOs should pause to reflect on their own favoured methods and make course corrections to achieve their aspirations for their own firms.

Given the series of earlier mega bestsellers from Collins, it is good to find that this book lives up to the expectations raised by its predecessors and in many cases, even exceeds them. An exhaustive set of frequently asked questions provided by the authors also enables Collins fans to link up the concepts presented in his earlier books to this one's model and ensures that continuity of thought and action can be brought into the practice of some of the ideas in the book. Truly a book worth reading and ideas worth putting into practice after careful analysis, reflection and choice. ◆

The author is CEO of Zensar Technologies and Co-Chair of the National Knowledge Council of the Confederation of Indian Industry

"It is not luck that makes 10X companies different but what they do with the luck that comes their way"

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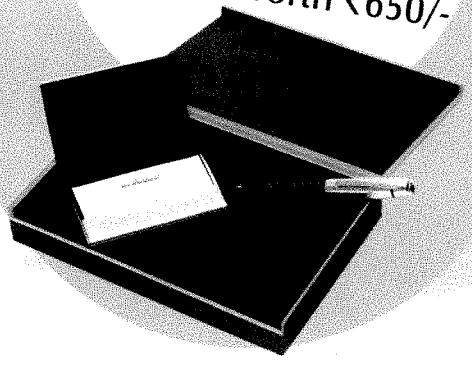

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Healthy Ideas

Employers need to make employees more aware of health benefits offered, says Manasi Mithel

What is the best diet for an eight-year-old? Palvi Gulati, Manager, Communication and Employee Engagement, American Express, with a daughter that age, did not know. She managed with scraps of information she found in newspaper articles, or the advice of people around her.

No longer. Exactly a year ago, American Express began a six month long healthcare programme for its employees, for which Gulati enrolled. Both she and her daughter attended the sessions where they learnt all about healthy diets and a healthy lifestyle. "Now my daughter knows what a healthy diet is, and every day she tells me what she wants to have," says Gulati. She worries far less about her daughter's health than before.

American Express's initiative is just one example of the extra mile many employers are going to ensure their employees – and employees' families – stay healthy. Companies not only have in-house gymnasiums and ensure their staffers undergo regular health check-ups, some also provide maternity assistance programmes for pregnant women and new mothers, as well as arrange concierge services for elderly dependents of employees. "Healthy employees are the best performers," says Ashwani Dahiya, Vice President, International Health and Benefits, and Global Human Resources Analytics at American Express. "Providing such benefits helps our business and talent strategy."

Employers have realised that a healthy workforce reduces absenteeism and improves productivity. Providing health benefits also makes employees feel the company cares, and enhances its reputation, both within its own workforce and outside. "The health benefits a company offers play a vital role in attracting and retaining talent," says Madhavi Lall, Regional Head, Human Resources, India and South Asia, Standard Chartered Bank.

But health insurance costs are

Areas of Concern

Employers say that the most widely prevalent health risks among employees relate to:

HEALTH RISKS BASED ON EMPLOYERS ASSESSMENT	PREVALENCE (%)	MAY LEAD TO...
Stress	62	Chronic heart disease, stroke
Tobacco use/smoking	56	Chronic heart disease, cancer, respiratory disease
Excess weight	44	Chronic heart disease, diabetes
Poor diet, nutrition	35	Chronic heart disease, cancer, diabetes

Source: Marsh

also going up. The cost of an average company health insurance plan of ₹3 lakh per year rose from ₹6,800 per year per employee in 2008/09 to ₹9,300 in 2010/11, says a comprehensive study by global insurance broking firm Marsh, conducted across 188 Indian organisations – employing a total of 549,000 people – between July and September this year.

There was one disquieting finding, however, of the Marsh study. Around 76 per cent of employees queried said they had little or no knowledge of the health benefits the company they worked for provided. While 70 per cent of companies questioned in the survey claimed the existing communication channels in their organisations to provide such information were 'clear and satisfactory', 62 per cent of employees quizzed said they were 'average' or even, 'inadequate'. "Employers should communicate more with employees. Companies needs to get better at employee engagement," says Sanjay Kedia, CEO, Marsh India.

The survey also found that many organisations, while providing health benefits, never take employees' views into consideration – a package, decided solely by human resource managers, is thrust upon the rest. But there are also companies like American Express, PepsiCo and Standard Chartered which actively use emails, the company intranet, discussions at company meets, posters and videos to communicate both the various benefit plans offered and the importance of choosing one. "At our company, employees have the opportunity to provide feedback. Their inputs are taken into consideration while designing health policies," says Kinjal Choudhary, Director, Compensation and Benefits, PepsiCo, India Region.

In an age of working couples and nuclear families, when few can take much time off to nurse the sick, keeping the family healthy becomes all the more important. "Initially, younger employees preferred hard cash to health benefits in their compensation packages," says Shalini Kamath, Managing Director, Corporate Communications and Human Resources, Ambit, a financial services firm. "But this has changed in the last five years. The young crowd too is realising the importance of such benefits, in the absence of a joint family support system."

Indeed, foregoing the group medical cover offered by a company in favour of a bigger pay packet, is an extremely short-sighted decision. "If an individual buys the same cover in the market, the premium will be three times as much," says Sandeep Nagpal, CEO, LaddersHR, a human resources consultancy firm. But he adds that the employee should ensure the cover includes critical illnesses and not just basic health.

The Marsh survey also showed that 72 per cent of employee respondents 'agreed' they had a responsibility to keep themselves healthy and help the employer control health benefit costs. ◆

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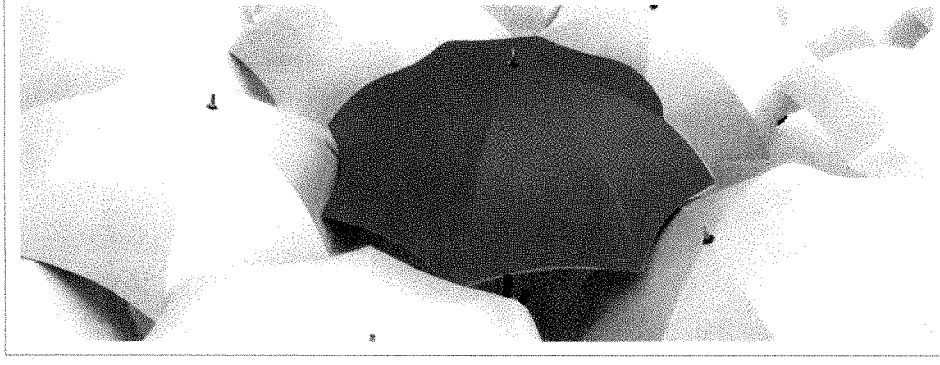

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Descendants of Descartes

"I think therefore I am," said the Greek philosopher. Snapshots of eight Indians who figured in the definitive 2011 list of the world's 50 top business thinkers

G. KESHAV RAJ

Vijay Govindarajan

Every December, **VIJAY GOVINDARAJAN**, 60, or VG as he is known, Professor of International Business at the Tuck School of Business in the United States, brings a group of young executives on a 'pilgrimage' to India. "For global giants, future growth is in emerging markets," he says. "They cannot succeed if they do not understand them. A visit to India opens their eyes to a whole new world." He organises a similar annual visit to China too. The Chennai-born champion of emerging markets is renowned for his concept of reverse innovation – developing products for emerging markets and then taking them to developed countries. His recent idea of building a $300 house got him the Breakthrough Idea Award at this year's Thinkers 50 listing.

Nitin Nohria

By the time he got his degree in chemical engineering from the Indian Institute of Technology, Bombay, **NITIN NOHRIA**, now 49, was sure of one thing: chemical engineering would not be his profession. His heart lay in management. In May 2010 he became the first person of foreign origin to be appointed Dean of Harvard Business School. He has written, co-authored or edited 16 books. His best work is a co-authored trilogy examining the lives of great business leaders, their routes to power and the lessons to be learnt from them.

Pankaj Ghemawat

In 1991 **PANKAJ GHEMAWAT**, then 32, became the youngest full-time professor in the history of Harvard Business School. He had already created ripples in academia when he entered Harvard College at 16 and was accepted for Harvard Business School's Ph.D. programme at 19. Now 51, the Jodhpur-born Ghemawat specialises in globalisation and has written at length opposing Thomas Friedman's 'the world is flat' theory, or the view that in the new wired world, information, ideas, money and people can move around the planet faster than before. "The world is neither truly global nor truly local. Cross border differences are much larger than we assume," he says.

Sheena Iyengar

She is an expert on choice. In her recent, much lauded book *The Art of Choosing*, **SHEENA IYENGAR**, 42, S.T. Lee Professor of Business at Columbia Business School, explores why choice matters, the ways people make choices, the relationship between our choices, and our identities, and more. She has made many a difficult choice herself. Afflicted by an eye condition, she began losing her sight as a teenager, and became totally blind by the time she reached her late teens. That did not deter her from choosing to complete her education and start what would become a flourishing career in academics.

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Vineet Nayar

The town hall meetings he holds with his employees have become legendary. **VINEET NAYAR,** 49, CEO HCL Technologies, typically begins by dancing to the tune of a pulsating item song. Having grabbed the attention of his employees, he throws the floor open to no-holds barred questioning. He answers most of the questions without hedging, survives some using his wit and ducks only a few. To revive HCL Technologies, which was in slow decline at one stage, he turned conventional management theory of 'customers first' upside down and announced the 'employee first, customers second' initiative. A book on the subject soon followed. Does he not feel odd dancing before his employees, despite being the CEO? "Why should I if it helps kindle fire in my employees and improves their productivity," comes the reply.

PARK AVENUE
TRUE SHADES

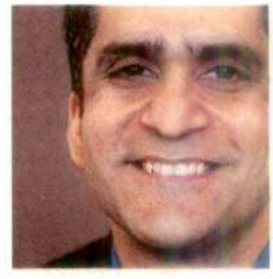
Subir Chowdhury

He is often called a 'quality prophet'. **SUBIR CHOWDHURY**'s book *The Power of Six Sigma* sold over a million copies and has been translated into 20 languages. His latest book, *The Ice Cream Maker*, which underscores the importance of quality, was distributed to every member of the US Congress. Now 44, this Indian Institute of Technology, Kharagpur, alumnus practises what he preaches. He sent out the manuscript of *The Ice Cream Maker* to 100 people he did not know personally, releasing it for publication only after he got positive feedback.

KARAN VAID

Nirmalya Kumar

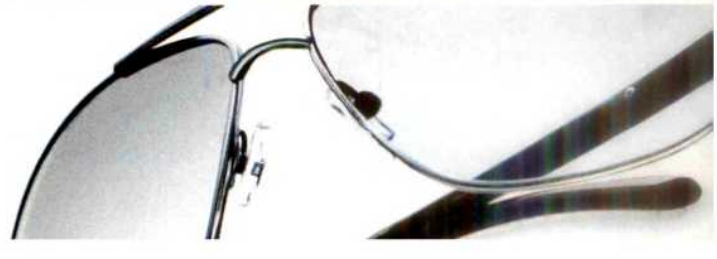
NIRMALYA KUMAR, 51, who teaches marketing at London Business School, has never shied away from taking controversial positions. He ruffled quite a few feathers when he pronounced: "Marketing today is in a crisis, caught in a whirlpool of obscurity due to excessive focus on 4Ps – product, price, promotion and place." A connoisseur of art, he has close to 80 paintings of Jamini Roy – the father of modern Indian painting. The collection, displayed at his London home, is the largest collection of Roy's paintings outside India. "It was love at first sight for me with Jamini Roy paintings," he wrote in the preface to a book on Roy. Paintings of another Bengali artist adorn his home in Kolkata: Rabindranath Tagore.



Rakesh Khurana

RAKESH KHURANA, Marvin Bower Professor of Leadership Development at Harvard Business School, believes management, like medicine or law, should have licensing tests and code of ethics with a stated aim to improve society. He feels management education in its current form is not delivering results. Khurana, who has extensively researched the CEO labour market, always warns companies that consult him against searching for 'charismatic CEOs'. His reason: they do not work.

COMPILED BY N. MADHAVAN



MICHAEL BONEHAM, President & MD, Ford India

My leadership style
- ■ Delegative
- ■ Participative
- ■ Authoritative
- ☑ All of the above

The political leader I admire the most
John Joseph Curtin (former Australian prime minister)

The business leader I admire the most
Alan Mulally

The leadership lesson I remember the best
Never lose your humility

A book I would recommend on leadership
The 7 Habits of Highly Effective People by Stephen R. Covey

The difference between a manager and a leader
A manager is process-oriented, while a leader is a visionary who can move people to levels they never believed they could achieve

All good managers are good leaders
No

As told to N. Madhavan

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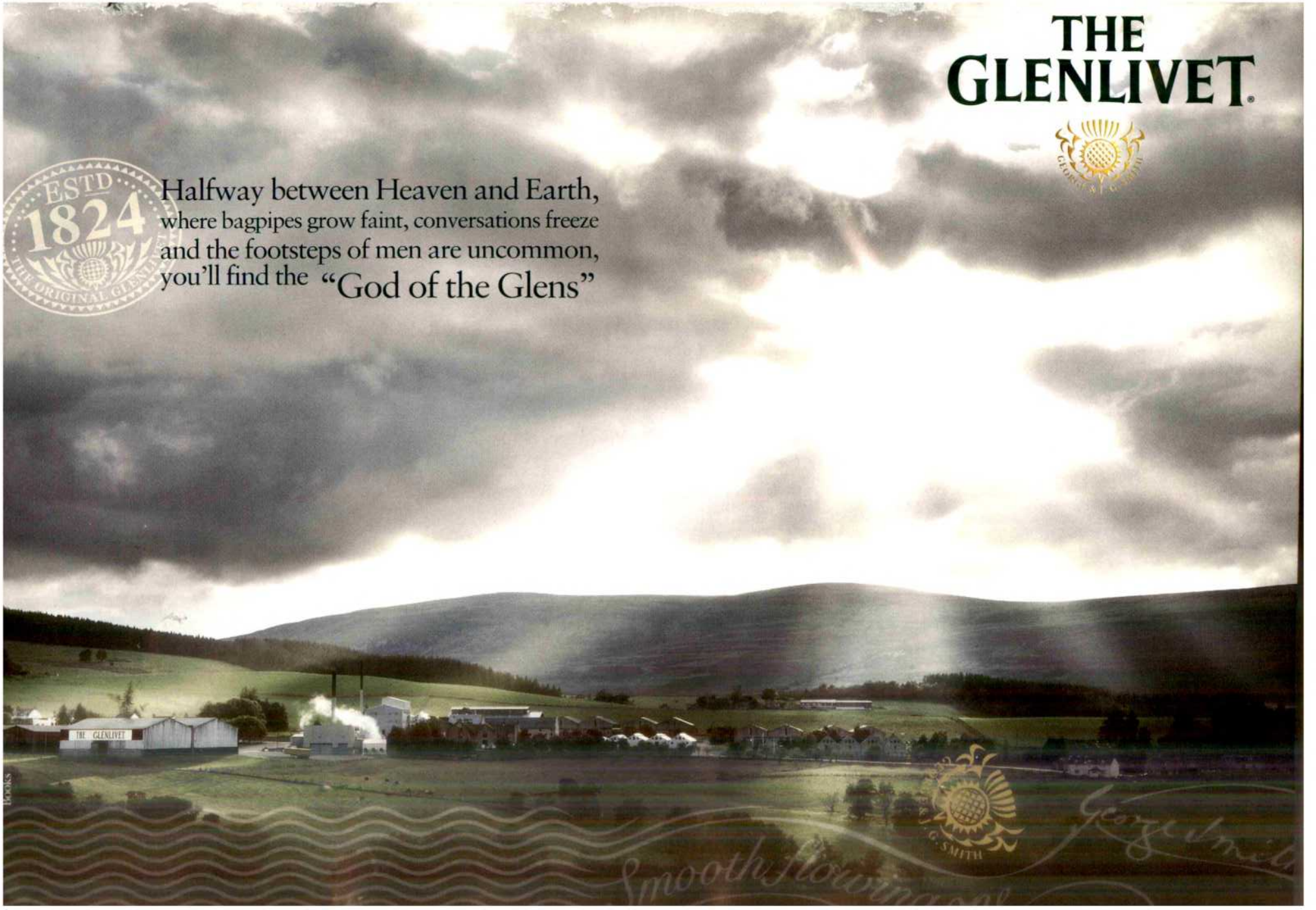
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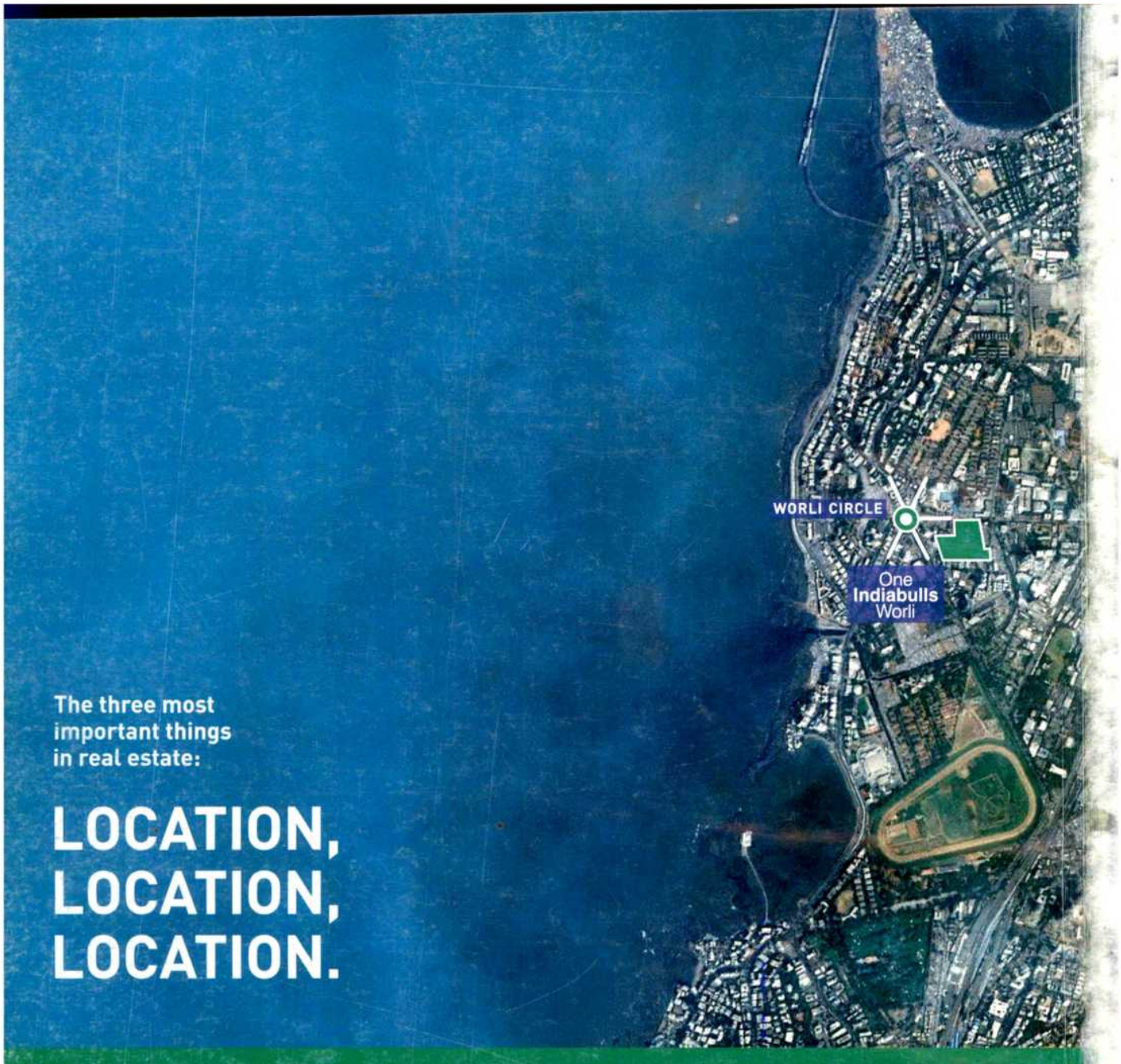
and the footsteps of men are uncommon,
you'll find the "God of the Glens"
THE GLENLIVET
G. SMITH



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